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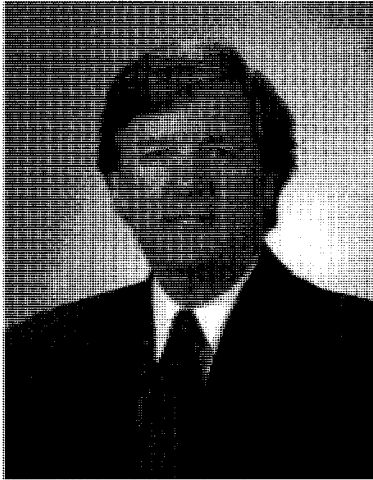
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Introduction



The annual report of the Maritime Administration (MARAD) for fiscal year 2000 that ended on September 30, 2000, is submitted to Congress in accordance with section 208 of the Merchant Marine Act of 1936, as amended.

MARAD'00 includes nine chapters on MARAD programs and activities and includes specific reports required by law on acquisition of obsolete vessels in exchange for vessel trade-in, war risk insurance activities, scrapping or removal of obsolete vessels owned by the United States, and U.S.-flag carriage of Government-sponsored cargoes.

This report details MARAD's efforts to support the Nation's maritime policy and the goals of the Administration.

BRUCE J. CARLTON
Acting Deputy Maritime Administrator

CHAPTER 1

National Security

The Maritime Administration (MARAD) is responsible for assuring that merchant shipping is available in times of war or national emergency. MARAD administers programs to meet sealift requirements determined by the Department of Defense (DOD) and conducts related national security activities.

MARAD also maintains inactive, Government-owned vessels in the National Defense Reserve Fleet (NDRF), and its Ready Reserve Force (RRF) component. The RRF was created to maintain a surge shipping and resupply capability available on short notice to support deployment of a multi-division force.

MARAD also conducts national security planning, training, and operations in areas such as emergency communications, naval control/civil direction of shipping, war risk insurance, and port emergency operations.

Maritime Security Program (MSP)

The Maritime Security Program (MSP) assists this country in maintaining an active, privately owned, U.S.-flag and U.S.-crewed liner fleet in international trade that is available to support DOD sustainment in a contingency.

The MSP is a 10-year program established under the Maritime Security Act of 1996, and provides approximately \$100 million in funding annually for up to 47 vessels to offset in part higher operating costs under U.S. registry.

The program helps America retain an active U.S.-flag merchant fleet comprising modern, efficient, and militarily useful commercial dry cargo vessels that can support national security requirements, and maintain a competitive U.S.-flag presence in international commerce. During fiscal year (FY) 2000, the MSP fleet logged 17,168 operating days across the oceans of the world. MSP operators and participating vessels are shown in Chart 1.

The MSP also helps retain a labor base of skilled and loyal American seafarers who are available to crew the U.S. Government-owned strategic sealift fleet, as well as the U.S. commercial fleet, both in peace and war. The MSP leverages relatively modest Federal support dollars to retain access to a robust U.S. commercial maritime capitalization base valued at more than \$8.5 billion.

The MSP has largely replaced the Operating-Differential Subsidy (ODS) Program which compensated U.S. carriers on a reimbursable basis for the higher costs of operating ships under the U.S. flag as compared to those of foreign-flag competitors. As an incentive for U.S.-flag operators to further reduce costs and increase efficiency, Congress established MSP funding levels at fixed amounts well below that of ODS.

**Chart 1: Maritime Security
Program Participants as of September 30, 2000**

American Ship Management, LLC	9 containerships
Automar International Car Carrier, Inc.	3 RO/RO's*
Central Gulf Lines, Inc.	3 RO/RO's
E-Ships, Inc.	3 containerships
First American Bulk Carrier Corp.	2 containerships
First Ocean Bulk Carrier I, LLC	1 containership
First Ocean Bulk Carrier II, LLC	1 containership
First Ocean Bulk Carrier III, LLC	1 containership
Maersk Line, Ltd.	4 containerships
OSG Car Carriers, Inc.	1 RO/RO
U.S. Ship Management, Inc.	15 containerships
Waterman Steamship Corp.	3 LASH** and 1 RO/RO
Total	47 vessels

* RO/RO, roll-on/roll-off vessel

** LASH, lighter aboard ship

The MSP provides financial assistance of up to \$2.1 million per year per vessel, which is less than half the cost of the ODS program and only represents about 13 percent of the cost of operating a U.S.-flag vessel. MSP operators are being challenged to further reduce costs and become more efficient to accommodate these reduced payments.

Another important element of the MSP is the reflagging of new and more efficient vessels to U.S. registry. Since its implementation in 1996, a total of 13 modern commercial liner vessels, all less than 10 years old, have been reflagged to U.S. registry for participation in the MSP. In addition, MARAD approved one MSP company's request to substitute a newly built roll-on/roll-off (RO/RO) vessel for a 25-year old vessel.

On December 8, 1999, MARAD approved the transfer of Sea-Land Service, Inc.'s (Sea-Land's) 15 MSP Operating Agreements to U.S. Ship Management, Inc. (USSMI). As a result of this transfer, USSMI, a citizen in accordance with section 2 of the Shipping Act, 1916, as amended (section 2), maintained control of all of Sea-Land's MSP vessels through a bareboat charter arrangement with various U.S. banks and trust companies. Maersk Line Limited became the time charterer of the MSP vessels.

On July 6, 2000, MARAD approved the transfer of Farrell Lines Incorporated's (Farrell's) three MSP Operating Agreements to E-Ships, Inc. This action was necessary due to the merger of Farrell with P & O Nedlloyd Acquisitions Corp., an English company. E-Ships, Inc., a section 2 citizen company, was determined to be an eligible MSP recipient and Farrell became the time charterer of the MSP vessels.

One MSP company (without the benefit of MSP financial assistance) reflagged three containerships that were less than 5 years old. The addition of these 17 ships greatly benefits the modernization of the U.S. merchant fleet and enhances its competitiveness and sealift readiness.

As of September 30, 2000, all 12 MSP carriers were receiving MSP payments for 47 vessels. Chart 3 on page 11 is a list of MSP vessels as of September 30.

Voluntary Intermodal Sealift Agreement (VISA)

The Voluntary Intermodal Sealift Agreement (VISA) program is sponsored by MARAD under its authorities for voluntary agreements contained in the Defense Production Act of 1950 and the Merchant Marine Act, 1936, as amended. VISA was approved as the DOD's principal commercial sealift readiness program on January 30, 1997.

VISA provides DOD with assured access to commercial intermodal capacity to move ammunition and sustainment cargo. This capacity can also supplement U.S. Government-owned/controlled/chartered capacity used for initial deployment or "surge" of unit equipment.

VISA's objective is to maximize DOD's use of the multibillion-dollar, state-of-the-art, U.S. commercial intermodal transportation system to serve America in peace and war while minimizing disruption to commercial operations. VISA's activation would be time-phased to streamline the availability of capacity to coincide with DOD requirements. Commercial operators can volunteer capacity in VISA Stages I and II, but in Stage III participants must commit at least 50 percent of their capacities for non-MSP vessels and 100 percent capacity for MSP vessels. By using a time-phased approach to provide capacity to meet varying levels of crisis, carriers can plan options to sustain ongoing commercial arrangements during contingencies while accomplishing DOD's transportation requirements. This is similar to DOT's airliner program with DOD, the Civil Reserve Air Fleet.

MSP/VISA Linkages

The importance of the link between VISA and the MSP is clear. More than 80 percent of the militarily useful U.S.-flag commercial dry cargo shipping capacity is enrolled in VISA Stage III and over 70 percent of that capacity comes from MSP vessels.

In FY 2000, MARAD published a notice in the Federal Register on the VISA "Open Season" enrollment for FY 2001.

Several new U.S.-flag vessel-operating companies are expected to enroll as a result of the open season. As of September 30, 2000, there were 49 VISA participants.

The companies commit specific vessel capacity, intermodal equipment, and management services. As a condition for receiving Government financial support, MSP participants are required to enroll 100 percent of their MSP vessel capacity and a comparable mix of intermodal resources and services in VISA.

Over 107,000 20-foot equivalent units (TEUs) and 1 million square feet of capacity committed to DOD stems from MSP obligations. Other U.S.-flag vessel operators are encouraged to commit non-MSP resources to VISA as a condition of receiving priority for award of DOD peacetime ocean freight contracts. VISA participants are listed in Chart 2.

Chart 2: VISA Participants as of September 30, 2000

Alaska Cargo Transport, Inc.	Lynden, Inc.
American Automar, Inc.	Lykes Lines Limited, LLC
American President Lines, Ltd.	Maersk Line Limited*
American Roll-On Roll-Off Carrier, LLC	Matson Navigation Company, Inc.
American Ship Management, L.L.C.*	Maybank Shipping Company, Inc.
Automar International Car Carrier, Inc.*	McAllister Towing & Transportation
Beyel Brothers, Inc.	Moby Marine Corp.
Central Gulf Lines, Inc.*	NPR, Inc.
Cook Inlet Marine	OSG Car Carriers, Inc.*
Crowley American Transport, Inc.	Osprey Shipholding Corp., LLC
Crowley Maritime Services, Inc.	Resolve Towing & Salvage, Inc.
CSX Lines, LLC	Samson Tug & Barge Company, Inc.
Dixie Fuels II, Ltd.	Seacor Marine International, Inc.
Double Eagle Marine/Caribe USA, Inc.	Sealift, Inc.
E-Ships, Inc.*	Smith Maritime
Farrell Lines, Inc.	Stevens Towing Co., Inc.
First American Bulk Carrier Corp.*	Superior Marine Services, Inc.
First Ocean Bulk Carrier I, LLC*	Totem Ocean Trailer Express, Inc.
First Ocean Bulk Carrier II, LLC*	Trailer Bridge, Inc.
First Ocean Bulk Carrier III, LLC *	TransAtlantic Lines, LLC
Foss Maritime Company	Trico Marine Operators, Inc.
Gimrock Maritime, Inc.	Troika International, Ltd.
Liberty Shipping Group Limited Partnership	U.S. Ship Management, Inc.*
	Van Ommeran Shipping (USA), LLC
	Waterman Steamship Corp.*
	Weeks Marine, Inc.

* MSP Participants

By partnering with the U.S.-flag commercial maritime industry, the U.S. Government leverages assured access to a total global intermodal network that includes not only vessels but also logistics, management services, infrastructure, terminals and equipment, communications, and cargo-tracking networks, as well as a cadre of well-trained, professional U.S. seafarers and shore-side employees.

Through VISA's Joint Planning Advisory Group (JPAG), Government and industry identify and discuss DOD's requirements, recommend concepts of operations to meet requirements, test and exercise program arrangements, and comply with antitrust requirements for pooling/teaming arrangements.

In FY 2000, two JPAG meetings were convened. On December 14-15, 1999, a JPAG meeting was called to brief industry and government representatives on proposed VISA activation and deactivation processes as well as business rules associated with these processes. MARAD, DOD (including the Military Sealift Command and the Military Traffic Management Command) and maritime industry representatives attended.

During the meeting, VISA participants offered numerous suggestions to improve and streamline the activation process. As a result of this JPAG meeting, the U.S. Transportation Command completed a "VISA battle book" which was designed to assist VISA members in the event of a VISA activation.

The second JPAG meeting was convened on April 18-19, 2000. The meeting explored the intermodal capability of VISA carriers to handle the loading of unit equipment and the development of a concept of operations for moving ammunition from origin to port of debarkation. VISA participants also were briefed on the results of a recently conducted DOD military exercise "Turbo Challenge 2000."

National Defense Reserve Fleet (NDRF)

The NDRF program, including the Ready Reserve Force (RRF) component, contains ships in a laid-up condition that can be activated to help meet U.S. shipping requirements during a national emergency.

As of September 30, 2000, of the 258 vessels in the NDRF program, 143 were being retained for possible activation for emergency sealift, potential future historic display, spare parts, or congressionally legislated sale; 115 were in non-retention status and pending disposal. In addition, there were 67 vessels owned by other Government agencies or by the Title XI program that received custodial services and preservation on a cost-reimbursable basis. The year-end total number of ships in the custody of the NDRF program was 325.

The ships in deep lay-up are in three reserve fleet sites: 110 at Ft. Eustis, VA; 45 at Beaumont, TX; and 102 at Suisun Bay, CA.

Ready Reserve Force (RRF)

A 1976 Memorandum of Agreement between the DOD and MARAD established the RRF as the surge component of the

NDRF. RRF vessels are kept in a high state of readiness to enable them to be activated in 4, 5, 10, or 20 days to meet surge military sealift requirements. The ships are used in the event of war or military deployment as experienced in Operations DESERT SHIELD and DESERT STORM, and in Haiti, Somalia, Croatia, Bosnia-Herzegovina, and for humanitarian support as part of Hurricane "Mitch" Relief in Central America.

As of September 30, 2000, there were 90 vessels in RRF status. This vessel population has remained relatively steady, but the capacity has increased since spar decks were added to five ships to help obtain some additional RO/RO capability that DOD identified as needed for surge strategic sealift. Spar decks are steel upper decks installed to increase the cargo carrying capacity of a ship.

To meet the readiness needs of DOD, MARAD outports 4- and 5-day RRF ships and provides them with permanently assigned Reduced Operating Status (ROS) crews. The outporting program provides lay-berths for RRF ships near the expected loading ports for defense cargoes. At year's end, 56 RRF vessels were assigned to outport locations: 21 on the East Coast, 11 on the Gulf Coast, and 24 on the West Coast. In addition, three shallow-draft tankers are outported in Japan. Four RRF vessels are fully operational and are deployed overseas. The remaining ships in the RRF were located in the three reserve fleet sites: 11 in the James River, VA; 11 in Beaumont, TX; and 5 in Suisun Bay, CA.

ROS crews on the ships in 4- and 5-day readiness status consist of 9 or 10 merchant mariners who execute a planned maintenance program and become part of the sailing crew upon vessel activation. The use of ROS crews greatly enhances the ability to successfully activate RRF ships; there have never been activation failures on ships with ROS crews.

Ship Manager Contract (SMC) awards were made on April 28, 2000. Notice to proceed was delayed due to protests but was expected to be issued early in FY 01 subsequent to a favorable ruling by GAO. A favorable ruling from GAO was received in September 2000. Notice to Proceed was issued to awardees following the receipt of GAO's ruling/decision and vessels were turned over to the awardees.

RRF Sea Trial and Dock Trial Program

MARAD continues its program of planned maintenance activations for RRF vessels. High-priority vessels in 4-day readiness status undergo annual sea trials; those in 5-day status alternate annually between sea trials and dock trials. Lower priority ships in 10-day status have sea trials biennially; 20-day ships alternate between sea trials and dock trials over a 5-year cycle. This program was established to enhance the reliability of ships ordered activated by DOD for missions by providing a detailed inspection of the vessels' capability under operating conditions. This program also enables MARAD to schedule timely maintenance and repair and make decisions on allocation of resources.

During FY 2000, 53 ships underwent successful sea trials including full power tests. The continuing success of MARAD's activation of RRF ships for DOD missions can be attributed in large part to the sea and dock trial program.

RRF Operations

DOD continued to employ the RRF crane ship GOPHER STATE in the prepositioned fleet during

FY 00 to support the U.S. Army's Prepositioning Stock Program (APS-3). During this time frame, the ship was stationed in Guam.

The Offshore Petroleum Discharge System (OPDS) tankers PETERSBURG and POTOMAC continue to support the Afloat Prepositioning Force (APF), operating from Guam and Diego Garcia, respectively. The OPDS tanker CHESAPEAKE was activated to participate in the Joint Logistics Over-the-Shore (JLOTS) exercise TURBO PATRIOT 00 off Camp Pendleton, CA. The CAPE JACOB, fitted out with a Modular Cargo Delivery System (MCDS) for underway transfer at sea, is presently on station in Diego Garcia as part of the APF.

CAPE GIBSON, which is also outfitted with an MCDS, was activated in late October 1999 in Alameda, CA, and remained under the Military Sealift Command (MSC) operational control for 18 days. During this time the vessel participated in Exercise WESTEX 00 which took place off the coast of California and involved several Underway Replenishments (UNREPS) with Navy vessels.

Turbo Activations (TA) are no-notice tests (which include a sea trial) ordered by MSC to test the readiness status of the RRF. In FY 00, there were four separate tests involving a total of 18 RRF ships. All of the TAs involved 4- and 5-day ships, and all ships were tendered ahead of their required activation time.

Two sea deployment readiness exercises were held in FY 00. In the first, the CAPE KENNEDY was activated in January 2000 in New Orleans, LA and sailed for Jacksonville, FL, to load approximately 100,000 sq. ft. of cargo. After loading in Jacksonville, the ship sailed for Beaumont, TX, where the cargo was discharged. The ship returned to her outport location in early February 2000. In the second exercise, the CAPE EDMONT was activated in Charleston, SC, in March 2000 and sailed for Savannah, GA, to load 96,571 sq. ft. of cargo. The vessel then sailed for Port Hueneme, CA via the Panama Canal. After discharging cargo, CAPE EDMONT returned to its outport location in Charleston. The vessel was under MSC operational control for 34 days.

In April 2000, the WRIGHT was activated in Baltimore, MD to participate in Exercise CAROLINA PATRIOT off the Carolina Coast. The ship sailed from Baltimore on April 30, 2000, and arrived in Sunny Point, NC on May 2, 2000. After loading cargo, the ship departed Sunny Point on May 9, 2000 for the exercise and brief lay over in Morehead City, NC. Upon completion of the exercise, the vessel returned to its outport location in Baltimore.

In May 2000, the CAPE JOHNSON participated in the Exercise JTFX 00-2 as an underway MCDS platform. The vessel was activated in Wilmington, NC, and returned to its outport location upon completion of the exercise off the Carolina coast.

Three RRF ships participated in a JLOTS exercise (TURBO PATRIOT 2000) during August – October 2000 off Camp Pendleton, CA. Three different classes of RRF ships were activated for this unique exercise which involved construction of an offshore pier capable of discharging a RO/RO vessel. Another aspect of this exercise involved the construction of an OPDS conduit to allow pumping from the tanker CHESAPEAKE (OPDS-3) to a shore-side storage facility. The other two vessels involved in this exercise were the CAPE MOHICAN (SEABEE) and GRAND CANYON STATE (T-ACS 3).

Logistics Support

MARAD significantly improved the logistics readiness of RRF vessels during FY 2000. Supply support overhauls or upgrades were completed on 10 ships; and an additional four major logistics overhauls were in process at year's-end. Logistics support and validation of onboard inventories involving 25 ships was accomplished during the ship manager turnover process.

The Personal Computer Shipboard Allowance List (PC-SAL) modernization project began last year. Upgrades from PC-SAL 3.2 to PC-SAL 4.0 were made to six pilot ships beginning in July 2000. Test, evaluation, and enhancement of the program will continue until the program is released to the RRF in calendar year 2001.

The spare parts logistics support review, with procurement, of the final two MCDS ships was completed. Logisticians provided logistics support for two MCDS exercises. They updated two OPDS tanker allowances with revised Navy requirements. Staff provided logistic support for one OPDS exercise, and completed inventories of all OPDS materiel assets in Shore Based Spares and aboard one NDRF ship.

Support included establishing spare parts allowances for 90 pieces of shipboard equipment under the MARAD provisioning program. It required performing pre-procurement reviews of 520 previously provisioned components. A major T-ACS crane provisioning project was initiated to improve logistics support effectiveness of that major system.

Staff procured 6,569 line items of repair parts and ship support materiel valued at \$6.6 million from Federal and commercial supply sources. They screened 24,000 line items of excess materiel transferred from RRF vessels valued in excess of \$2.3 million through the MARAD Reutilization Materiel (MRM) program and inducted that materiel into the MARAD Shore Based Spares (SBS) inventory. In all, they issued 4,050 items of materiel valued at \$760,000 from the SBS system to RRF ships and conducted inventories of 17,000 line items of SBS materiel worth \$12.9 million in the Alameda and New Orleans SBS warehouses.

RRF Roll-On/Roll-Off Capacity Upgrade Program

The DOD Mobility Requirements Study (MRS) established an RRF force level of 36 Roll-On/Roll-Off (RO/RO) ships; however, the RRF includes only 31 RO/ROs, and MARAD is restricted by Congressional mandate from purchasing additional foreign-built RO/ROs for the RRF.

The MRS also established total lift requirements, and at the beginning of FY 98 the aggregate capacity shortfall was 550,000 sq. ft. In cooperation with DOD, MARAD studied increasing the capacity of various RO/RO classes to make up the shortfall. The initial five-ship upgrade program was completed in FY 00. These five upgrades will add 138,923 sq. ft. of RO/RO capacity.

The two-ship CAPE W class was identified for a follow-on program. Award of the CAPE WRATH was made in November 1999 and is expected to be completed in February 2001. The CAPE WASHINGTON was awarded in September 2000 and is expected to be completed in November 2001. These two ships will add an estimated 117,000 sq. ft. of useful capacity.

Additional upgrades are being evaluated to make up the remaining shortfall. Ship classes being considered include the CAPE H's, CAPE I's, CAPE K's, CAPE T's and the single ship CAPE ORLANDO.

RRF Special Mission Ships

Within the RRF, a number of ships have been equipped with features and equipment to perform specific missions. These ships include Auxiliary Crane ships, Offshore Petroleum Discharge System Tankers, Heavy Lift Ships (modified barge carriers of the LASH and SEABEE type), general cargo ships equipped with Sealift Enhancement Features, and Aviation Logistics Support Ships.

Auxiliary Crane (T-ACS) Ships

Between 1984 and 1997, MARAD converted 10 container ships, of four separate classes, into T-ACS. Crane Ships are outfitted with two or three independent twin boom, pedestal mounted, rotating heavy lift cranes, which may be operated singly or in tandem. These cranes permit the T-ACS to off-load containers and other outsize cargo from non-self sustaining cargo ships either instream (to barges), or in underdeveloped or damaged ports. One T-ACS, the GOPHER STATE, has been deployed in Guam as part of the Army Prepositioning Stock (APS) since 1994.

Offshore Petroleum Discharge System (OPDS) Tankers

MARAD maintains four OPDS equipped tankers capable of discharging petroleum products from four miles offshore without benefit of fixed shore facilities. During FY 00, the AMERICAN OSPREY was downgraded to the NDRF. The other four OPDS

tankers were either in active service or ROS. The POTOMAC and PETERSBURG remained deployed overseas in the APF. The MOUNT WASHINGTON and CHESAPEAKE remained in ROS. CHESAPEAKE successfully participated in JLOTS Exercise TURBO PATRIOT 00.

MARAD commenced the upgrades to MOUNT WASHINGTON to handle OPDS Utility Boats (OUB). The OUB upgrade makes the ships self-sustaining when performing OPDS operations. The PETERSBURG and CHESAPEAKE have completed the OUB upgrade. The MOUNT WASHINGTON upgrade will include procuring a 60-ton handling crane, conversion of the final two OUBs, and shipboard modifications.

The planned swap of the POTOMAC with CHESAPEAKE was deferred until FY 01 after changes to exercise scheduling. The swap in FY 01 is planned to be accomplished in conjunction with an OCONUS JLOTS exercise. The POTOMAC will be retained in RRF-10 status upon return to CONUS.

Sea Barge Clipper (SEABEE) Ships

MARAD maintains three SEABEE ships. Two have the capability to carry DOD's JLOTS equipment. The JLOTS cargo includes Landing Craft Air Cushion (LCAC), Side Loadable Warping Tugs (SLWT), Light Amphibious Reconnaissance Class ferries (LARC-60's), tug boats, causeway sections, and other DOD equipment to support JLOTS initiatives. In FY 2000, the CAPE MOHICAN successfully participated in JLOTS Exercise TURBO PATRIOT 2000.

Lighter Aboard Ship (LASH) Vessels

MARAD maintains four LASH ships, each of which is outfitted with a 455-light ton lighterage gantry crane to handle LASH barges. The CAPE FEAR is outfitted with a self-sustaining 30-ton container crane. Currently, all LASH ships have the capability to carry a limited number of containers; however, in the coming fiscal years all LASH ships will be modified to carry a full complement of 20-foot equivalent units (TEUs) or containers, and will be self-sustaining. These modifications include the option for the ships to carry ammo containers.

In addition, all LASH ships will be able to support the DOD JLOTS initiatives. As with the CAPE FAREWELL, the remaining LASH ships will be outfitted with the cantilever-lifting frame (CLF) which enable the ships to lift and carry oversized DOD cargo via a gantry crane. In the future, DOD intends to exercise the CLF to lift the Navy's (LCAC) air cushion craft.

The CAPE FAREWELL and CAPE FLORIDA both successfully completed an activation and sea trial in FY 00.

Sealift Enhancement Features (SEF)

SEFs are modifications to general cargo vessels to increase their military utility. Eleven RRF breakbulk cargo ships are equipped with varying SEF outfits.

Modular Cargo Delivery Systems (MCDS) enable the equipped ship to both transfer and receive cargo during Underway Replenishment (UNREP) operations. During FY 00, two MCDS exercises were conducted, one on the West Coast with the CAPE GIBSON and another on the East Coast using the CAPE JOHNSON.

Aviation Logistics Support Ships (T-AVB)

The two T-AVBs, WRIGHT and CURTISS, were transitioned into the RRF at the beginning of FY 98. Funding for their maintenance was fully transitioned into the RRF maintenance and repair account in FY 99. The WRIGHT (T-AVB 3) is outported in Baltimore, MD, and the CURTISS (T-AVB 4) in Port Hueneme, CA.

The T-AVBs are general cargo/container ships which have been modified to embark aviation Intermediate Maintenance Activity (IMA) units to support the repair of Marine Corps fixed-wing and rotary-wing aircraft. The ships were formerly maintained by MARAD in "RRF-like" status under a special agreement with the DOD.

The WRIGHT participated in exercise CAROLINA PATRIOT off the coast of North Carolina in May 2000. A Marine Corps air wing activated the afloat IMA aboard the ship as part of the exercise.

State Maritime Academy Schoolship Maintenance and Repair (M&R) Program

Public Nautical Schoolships are furnished by MARAD to five state maritime academies and colleges in accordance with the provisions of the Maritime Education and Training Act of 1980. The five academies and colleges are located in California, Maine, Massachusetts, New York, and Texas. The ships are the primary asset for training young men and women to become licensed merchant marine officers (see Chapter 8).

MARAD is responsible for maintaining the five schoolships in full regulatory compliance, and in a state of good repair. Routine and preventative maintenance is carried out by academy crew and cadets. Two of the five schoolships, the EMPIRE STATE (NY) and GOLDEN BEAR (CA), also are designated as troopships in the RRF.

The conversion of the CAPE BON, as a replacement for the former Massachusetts schoolship PATRIOT STATE, advanced in

FY 2000. A \$12.5M appropriation to the National Defense Sealift Fund (NDSF) was completed, and a follow-on \$12.5M FY 2001 NDSF appropriation was included in the DOD appropriation signed by the President at the close of FY 2000. The conversion solicitation was issued in August 2000, and awarded in late December 2000. The ship will be delivered into service approximately one year following contract award, at which time it will replace the GOLDEN BEAR as an RRF troopship.

Throughout FY 2000, MARAD developed a comprehensive renovation program for the EMPIRE STATE. At 38 years of age, the EMPIRE STATE is both the oldest and longest-serving of the present schoolships. The renovation concentrates on critical habitability, mission-support and safety systems and equipment that require rehabilitation. The work is required to support the ship's planned service life of 25 years; without it, the ship faces premature retirement. Funding for the renovation is included in MARAD's FY 2001 Budget Request.

Scrapping or Disposal of Obsolete Vessels

An Invitation for Bid (IFB) was issued on October 25, 1999, for the scrapping of two obsolete vessels in the NDRF. An award was made for the scrapping of both vessels to a ship breaking company in Brownsville, TX, on December 21, 1999. An IFB was issued on January 20, 2000, for the sale of two ships pursuant to legislation, for use as NATO oilers. No award was made as both bids were non-responsive. A request for proposal (RFP) was issued on September 5, 2000, for the scrapping of the SS BUILDER.

War Risk Insurance

MARAD administers the standby emergency War Risk Insurance Program in accordance with the statutory authority of Title XII of the Merchant Marine Act, 1936, as amended. The program encourages the continued flow of U.S. foreign commerce during periods when commercial insurance cannot be obtained on reasonable terms and conditions. It protects vessel operators and seafarers against losses resulting from war or war-like actions.

As of September 30, 2000, the War Risk Revolving Fund (fund) asset total was approximately \$31,356,000. There were no new assureds receiving binders during FY 2000. The fund earned \$1,411,000 in investment income. Program expenses for FY 2000 totaled \$46,502.

As of September 30, 2000, there were 269 binders on vessels and barges providing eligibility for hull, protection and indemnity, and second seamen war risk insurance. No binders have been issued related to MARAD's standby war risk cargo insurance and builder's risk insurance programs. All binders are effective for 30 days following an automatic termination of commercial insurance.

Statutory authority covering the Title XII War Risk Insurance Program was extended 5 years, to June 30, 2005 by Public Law 106-65.

In addition to the standby war risk program, MARAD has activated the war risk program on several occasions at the request of the Secretary of Defense with the approval of the President. MARAD wrote war risk insurance on 388 vessels during Operation Desert Shield/Desert Storm. In addition, the President approved the procurement of war risk insurance by the

Secretary of Defense from MARAD for 34 vessels for Operation Restore Hope in Somalia and 15 vessels for Operation Restore Democracy in Haiti.

RRF Claims Settlement

MARAD continued to act as the claim agent for Government-owned RRF vessels in FY 2000. The claims are for personal injuries suffered by the civilian mariners working aboard RRF vessels. They are negotiated and settled on an administrative basis by MARAD. If no settlement can be reached and the claim is litigated, it is handled by the Department of Justice with MARAD's support.

From the inception of Operation Desert Shield/Desert Storm in August 1990, through the end of September 2000, some 825 formal, written administrative claims for personal injury have been presented. More than 510 have resulted in monetary award. Monetary settlements from August 1990 through September 2000 totaled nearly \$26.7 million. As of September 30, 2000, approximately 12 administrative claims submitted to MARAD remained pending; in addition, several of MARAD's ship managers reported claims pending that were expected to be settled at amounts within the independent settlement authority granted the Ship Managers. As of the end of September 2000, MARAD also was assisting the U.S. Department of Justice in seeking the resolution of 51 claims where litigation against the United States was brought by or on behalf of the claimant. Among claims pending resolution at the end of FY 2000 were those for seafarers who crewed RRF vessels used in the Army Prepositioning Stock Program and the Afloat Preposition Force Program.

Title XI and Other Insurance Compliance

MARAD monitors the contractual requirements for marine insurance coverage placed in the commercial market on all existing Title XI vessels on which MARAD holds the mortgage, together with vessels subsidized by the Government and Government-owned vessels on charter to private operators.

One aspect of this compliance is to assure that the American marine insurance market has the opportunity to compete for placement of marine insurance on these vessels. As indicated in Table 3, MARAD approved marine hull and machinery binders during FY 2000, with 46 percent being placed in the American market and 54 percent being placed in the foreign insurance markets. This compares with 58 percent American market placement for hull and machinery insurance in FY 2000.

Emergency Operations

MARAD Advisories rapidly disseminate information on government policy, danger, and safety issues pertaining to vessel operations and other timely maritime matters. MARAD periodi-

cally issues them to vessel masters, operators, and other U.S. maritime interests.

In FY 2000, MARAD developed a new e-mail system for promulgating its advisories to the U.S. maritime industry more efficiently, replacing its obsolete telex and facsimile distribution method.

MARAD also posts *MARAD Advisories* on its internet website, making them easily accessible to the shipping industry and the public.

During the year 2000, MARAD issued six Advisories to the U.S. maritime industry: (1) updating the procedures for enforcement of the United Nations' sanctions against Iraq by the multinational naval intercept effort; (2) promulgating the risk of harassment in the ports and waters of Montenegro following the boarding of the U.S.-flag ship DELAWARE BAY by Yugoslavian military forces; (3) correcting obsolete telephone numbers for emergency call-up of the Navy by merchant ships, printed in the National Imaging Mapping Agency (NIMA) Publication 117; and (4), (5) and (6) providing notification of Naval Control of Shipping exercises in the Arabian Gulf, Eastern Atlantic, and off the U.S. Southeastern Coast.

Special Warnings to Mariners are coordinated by the State Department with MARAD and the Defense Department announcing official government proclamations affecting shipping. During 2000 new Special Warnings were placed in effect for Montenegro and Yemen.

MARAD Advisories and *Special Warnings* to Mariners also are published in the *Weekly Notice to Mariners* issued by NIMA to ensure the widest possible distribution to the maritime community. MARAD also responded to telephone inquiries from U.S. and foreign shipping companies for information on maritime safety issues.

Through NIMA Publication 117, "Radio Navigational Aids," MARAD provides instructions to U.S. merchant ships on emergency call-up of the U.S. Navy if under attack or faced with a hostile situation, and "Ship Hostile Action Report" procedures.

Piracy and Attacks on Merchant Shipping

The International Maritime Bureau (IMB), in its year 2000 piracy survey, announced that piracy attacks worldwide had soared to a 10-year high, with oceangoing ships continuing to be victims of piracy on the high seas and in ports. However, no U.S.-flag ships were reported to have been victims.

MARAD actively participates with its government and industry partners, such as the Office of Naval Intelligence (ONI) and the State Department Office of Maritime Affairs, to share information, threat dissemination and incident reporting. MARAD has a *MARAD Advisory* in effect that offers advice on effective countermeasures to deter pirates from boarding vessels at sea and in port, and is prepared to rapidly alert U.S. mariners to high-danger areas.

MARAD also participates with the Maritime Safety Council, an industry association, in promoting the use of the NIMA's "Navigation Information Network" and "Anti-Shipping

Activities Message" systems. These systems enter reports of piracy incidents into a computerized database that is available to all mariners.

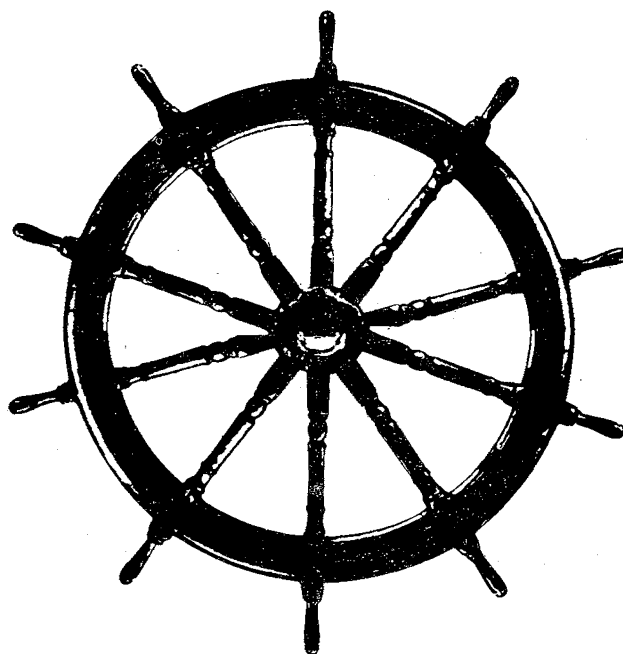


Table 1: NATIONAL DEFENSE RESERVE FLEET 1945-2000

<i>Fiscal Year</i>	<i>Ships</i>	<i>Fiscal Year</i>	<i>Ships</i>	<i>Fiscal Year</i>	<i>Ships</i>
1945	5	1966	1327	1987	326
1946	1421	1967	1152	1988	320
1947	1204	1968	1062	1989	312
1948	1675	1969	1017	1990	329
1949	1934	1970	1027	1991	316
1950	2277	1971	860	1992	306
1951	1767	1972	673	1993	302
1952	1853	1973	541	1994	286
1953	1932	1974	487	1995	296
1954	2067	1975	419	1996	303
1955	2068	1976	348	1997	307
1956	2061	1977	333	1998	307
1957	1889	1978	306	1999	312
1958	2074	1979	317	2000	325
1959	2060	1980	303		
1960	2000	1981	317		
1961	1923	1982	303		
1962	1862	1983	304		
1963	1819	1984	386		
1964	1739	1985	300		
1965	1594	1986	299		

Table 2: NATIONAL DEFENSE RESERVE FLEET—SEPTEMBER 30, 2000

<i>Home Port</i>	<i>NDRF Retention</i>	<i>NDRF Non-Retention</i>	<i>Reimbursable Custody</i>	<i>Totals</i>
James River, VA	26	63	21	110
Beaumont, TX	33	9	3	45
Suisun Bay, CA	18	41	43	102
Other Locations	66	2	0	68
Totals	143	115	67	325

Table 3: MARINE AND WAR RISK INSURANCE APPROVED IN FY 2000

<i>Kind of Insurance</i>	<i>Total Amount</i>	<i>Percentage</i>	
		<i>American</i>	<i>Foreign</i>
Marine Hull & Machinery	\$1,654,504,048	46%	54%
Protection & Indemnity ¹			
War Risk Hull and Machinery	\$ 1,427,372,406	46%	54%
War Risk Protection & Indemnity	\$ 1,427,372,406	46%	54%

¹ Protection and Indemnity insurance coverage is obtained principally from assessable mutual associations managed in the British market and is unlimited, thereby making it impossible to arrive at the total amount or percentage figures for American and foreign participation.

Chart 3: MSP PARTICIPANTS AS OF SEPTEMBER 30, 2000

<i>Company</i>	<i>Ship Name</i>	<i>Ship Type</i>	<i>TEUs</i>	<i>Square Feet</i>
American Ship Management, Inc.	APL KOREA	CONT C11	3,900	
American Ship Management, Inc.	APL PHILIPPINES	CONT C11	3,900	
American Ship Management, Inc.	APL SINGAPORE	CONT C11	3,900	
American Ship Management, Inc.	APL THAILAND	CONT C11	3,900	
American Ship Management, Inc.	PRESIDENT ADAMS	CONT C10	3,600	
American Ship Management, Inc.	PRESIDENT JACKSON	CONT C10	3,600	
American Ship Management, Inc.	PRESIDENT KENNEDY	CONT C10	3,600	
American Ship Management, Inc.	PRESIDENT POLK	CONT C10	3,600	
American Ship Management, Inc.	PRESIDENT TRUMAN	CONT C10	3,600	
Central Gulf Lines, Inc.	GREEN LAKE	CAR CARRIER		99,892
Central Gulf Lines, Inc.	GREEN POINT	CAR CARRIER		128,328
Central Gulf Lines, Inc.	GREEN COVE	CAR CARRIER		131,998
Automar International Car Carrier, Inc.	FAUST	PCTC		135,324
Automar International Car Carrier, Inc.	FIDELIO	PCTC		155,947
Automar International Car Carrier, Inc.	TANABATA	PCTC		215,709
First American Bulk Carrier Corp.	CHESAPEAKE BAY	CONT	2,409	
First American Bulk Carrier Corp.	DELAWARE BAY	CONT	2,409	
E-Ships, Inc.	ENDEAVOR	CONT	1,834	
E-Ships, Inc.	ENDURANCE	CONT	1,834	
E-Ships, Inc.	ENTERPRISE	CONT	1,834	
First Ocean Bulk Carrier I, LLC	LYKES NAVIGATOR	CONT	2,698	
First Ocean Bulk Carrier II, LLC	LYKES DISCOVERER	CONT	2,698	
First Ocean Bulk Carrier III, LLC	LYKES LIBERATOR	CONT	2,698	
Maersk Line Limited	MAERSK CALIFORNIA	CONT	1,400	
Maersk Line Limited	MAERSK COLORADO	CONT	1,169	
Maersk Line Limited	MAERSK TENNESSEE	CONT	1,325	
Maersk Line Limited	MAERSK TEXAS	CONT	1,325	
OSG Car Carriers, Inc.	OVERSEAS JOYCE	CAR CARRIER		100,965
U.S. Ship Management, Inc.	SEALAND ENDURANCE	CONT D9J	2,306	
U.S. Ship Management, Inc.	SEALAND DEFENDER	CONT D9J	2,306	
U.S. Ship Management, Inc.	SEALAND QUALITY	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND PERFORMANCE	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND INTEGRITY	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND ATLANTIC	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND INNOVATOR	CONT D9J	2,306	
U.S. Ship Management, Inc.	SEALAND EXPLORER	CONT D9J	2,306	
U.S. Ship Management, Inc.	SEALAND PATRIOT	CONT D9J	2,306	
U.S. Ship Management, Inc.	SEALAND COMMITMENT	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND OBREGON	CONT ACV	3,606	
U.S. Ship Management, Inc.	NEWARK BAY	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND FLORIDA	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND ACHIEVER	CONT ACV	3,606	
U.S. Ship Management, Inc.	SEALAND LIBERATOR	CONT D9J	2,306	
Waterman Steamship Corp.	GREEN DALE	PCTC		128,328
Waterman Steamship Corp.	STONEWALL JACKSON	LASH	1,246	
Waterman Steamship Corp.	ROBERT E. LEE	LASH	1,246	
Waterman Steamship Corp.	GREEN ISLAND	LASH	1,246	
			107,261	1,096,491

CHAPTER 2

Shipbuilding and Ship Conversion

Shipbuilding Initiatives

Title XI Guarantees

Title XI of the Merchant Marine Act, 1936, as amended, established the Federal Ship Financing Guarantee Program. As originally enacted, Title XI authorized the Federal Government to insure private sector loans or mortgages to finance or refinance the construction or reconstruction of American-flag vessels. Title XI was amended in 1972 to provide direct Government guarantees of the underlying debt obligations, with the Government holding a mortgage on the equipment financed.

On November 30, 1993, the National Shipbuilding and Shipyard Conversion Act of 1993 (Shipbuilding Act) expanded the Title XI program by authorizing the Secretary of Transportation to guarantee obligations issued to finance the construction, reconstruction, or reconditioning of eligible export vessels. It also authorized guarantees for shipyard modernization and improvement.

The Shipbuilding Act established a National Shipbuilding Initiative (NSI) program to support the industrial base for national security objectives. The NSI is expected to help reestablish the American shipbuilding industry as a self-sufficient internationally competitive industry.

Under the Title XI program, the U.S. Government insures or guarantees full payment to the lender of the unpaid principal and interest of the mortgage obligation in the event of default by the vessel owners or general shipyard facility.

As of September 30, 2000, Title XI guarantees in force aggregated approximately \$4.4 billion, covering 588 vessels, 6 shipyard modernizations and 87 individual shipowners.

During FY 2000, Congressional authority for the Title XI program had a cap of \$12 billion, with \$11.15 billion allocated to MARAD and \$850 million authorized to guarantee the financing of fishing vessels and fisheries facilities by the National Oceanic and Atmospheric Administration. Title XI guarantees for eligible export vessels were limited to \$3.0 billion.

In FY 2000, MARAD approved Title XI applications totaling \$885.7 million in loan guarantees. The approved projects covered construction of 21 vessels. Vessels approved included one jack-up mobile offshore drilling unit (MODU); one heavy lift pipelay barge; one hydraulic pipeline dredge; two U.S.-flag cruise ships; three passenger catamarans; two double-hull asphalt/residual oil barges; one pure car/truck carrier; one ultra deepwater semi-submersible multi-service vessel; one roll on/roll off warehouse barge; three 10,000 horsepower specialized tugboats; two line handling boats; one power barge; and two 350-foot ultra premium cantilever jack-up rigs.

On February 25, 2000, MARAD satisfied a demand for payment on government-guaranteed Title XI financing related to the former Fore River Shipyard in Quincy, MA. The payment totaled \$59,071,657.60 which includes outstanding principal and accrued interest owed Massachusetts Heavy Industries, Inc. MARAD immediately commenced the necessary actions to foreclose on its collateral.

MARITECH

The NSI also contained funds for industry-initiated research and development (R&D) projects under the MARITECH program.

MARITECH was a 5-year \$220 million Federally funded program that provided matching Government funds to encourage the shipbuilding industry to direct and lead in the development and application of advanced technology to improve its competitiveness and to preserve its industrial base. The program was industry led and jointly funded by Government and industry. Program administration was provided through the Defense Advanced Research Projects Agency (DARPA) of the Department of Defense in collaboration with MARAD.

MARITECH had both near-term and long-term objectives. In the near term, it assisted industry in penetrating the international marketplace with competitive ship designs, market strategies and modern shipbuilding processes and procedures.

In the long-term, the program encouraged advanced ship and shipbuilding technology projects in promoting continuous product and process improvement in order to maintain and enlarge the U.S. share of the commercial and international market; this in turn, was designed to ensure the availability of an experienced industrial base which is vital to national security in times of crisis.

MARITECH projects awarded during FYs 1994-1998 covered a wide range of themes from the design of various types of small vessels to large oceangoing ships, shipyard technology and advanced material technology. These projects were awarded to 24 companies and involved some 200 subcontractors located in 40 states, the District of Columbia, Puerto Rico and 9 foreign countries.

MARAD MARITECH Projects

Since 1994, DARPA and MARAD jointly selected a total of 65 projects valued at \$357 million of which 40 projects valued at \$172 million were assigned to MARAD to administer. There

was no funding provided for new projects in FY 1999. Several existing projects, however, were extended with follow-on work phases.

At the end of FY 2000, nine MARITECH projects were being administered by MARAD. These projects ranged from innovative design and marketing strategies of high technology vessels to research in advanced manufacturing technology processes and procedures.

Information on MARAD-administered projects is available on MARAD's web site at (<http://www.marad.dot.gov/nmrec/>). A MARITECH projects index file lists MARAD-administered projects. From this index, MARITECH project information files are available for review, including such information as project title, project consortium members, project objectives/overview, project status, and government and private sector contacts.

MARITECH Advanced Shipbuilding Enterprise

Funding for MARITECH ended in fiscal year 1998. Recognizing the need to build on MARITECH's success, the industry worked with the Navy, DARPA, Coast Guard, and MARAD to develop a successor program called MARITECH Advanced Shipbuilding Enterprise (ASE). This program, which received congressional funding in FY 1999, is designed to manage and focus national shipbuilding research and development funding on technologies that will reduce the cost of warships to the U.S. Navy and will establish U.S. international competitiveness.

National Maritime Resource and Education Center (NMREC)

One of NMREC's principal missions is to promote elimination of unnecessary regulation, encourage development and use of consensus technical standards for the maritime industry, and support U.S. participation in both national and international standards-writing organizations. In this regard, MARAD, through NMREC, is working closely with both national and international standards developing organizations. These include the International Maritime Organization (IMO), the U.S. Coast Guard (USCG), the International Organization of Standardization (ISO), the American National Standards Institute (ANSI), and the American Society for Testing and Materials (ASTM). The goal is to assist in the adoption of consensus ship construction and quality standards.

In fulfilling its mission, MARAD serves as a member of the U.S. Technical Advisory Group (USTAG) to the ISO; heads the U.S. delegations to ISO/TC8 Subcommittees on Marine Environmental Protection, Piping and Machinery; is a member of the Executive Control Board of the National Shipbuilding Research Program (NSRP) of the Society of Naval Architects and Marine Engineers (SNAME); and is a member of the Government/Industry Advisory Board of the Gulf Coast Region Maritime Technology Center.

The Agency also has established the Marine Industry Standards Library under NMREC. Its purpose is to provide technical assistance to U.S. shipbuilders, ship repair facilities, and marine equipment suppliers in obtaining and using copies of domestic and international industry standards. A technical staff is available to receive and investigate questions from industry about standards, such as ASTM, ISO, and others listed below that pertain to the shipbuilding and marine industry.

MARAD also provides an ISO 9000 field consultant, trained and available to guide and assist industry in meeting the requirements to obtain ISO 9000 certification. The Agency has participated in shipyard assessments and audits with registries such as American Bureau of Shipping, Det. Norske Veritas, Lloyd's Register, and Underwriters Laboratories. In addition, ISO 9000 presentations have been given to SNAME workshops and conferences through NSRP.

Providing information and market leads to assist the shipbuilding industry in increasing international sales is a vital NMREC role.

NMREC outreach efforts on behalf of the Agency include sponsoring conferences on international standards and marketing, Title XI loan guarantees, competitiveness benchmarking of foreign versus U.S. shipyards, cruise ship construction in the United States, marine environmental protection, safety reform in the shipbuilding industry, and challenges facing the ship repair industry.

In summary, support services and information available through NMREC include:

- ◆ Marine Industry Standards Library
- ◆ Conferences and Seminars
- ◆ MARAD's Guideline Specifications for Merchant Ship Construction
- ◆ MARITECH Project Information
- ◆ Title XI approved and pending lists, among other maritime related activities

Capital Construction Fund

The Capital Construction Fund (CCF) Program was established under the Merchant Marine Act of 1970. It assists operators in accumulating capital to build, acquire, and reconstruct vessels through the deferral of Federal income taxes on certain deposits, as defined in Section 607 of the Merchant Marine Act, 1936, as amended.

The CCF Program enables operators to build vessels for the U.S. foreign trade, Great Lakes, noncontiguous domestic trade (e.g., between the West Coast and Hawaii), and the fisheries of the United States. It aids in the construction, reconstruction, or acquisition of a wide variety of vessels, including container-ships, tankers, bulk carriers, tugs, barges, supply vessels, ferries and passenger vessels.

During calendar year 1999, \$183.6 million was deposited into CCF accounts. Since the program was initiated in 1971, fund holders have deposited \$7 billion in CCF accounts and withdrawn \$5.6 billion for the modernization and expansion of the U.S. merchant marine. As of September 30, 2000, a total of 177 companies were parties to CCF agreements (see Table 7).

Construction Reserve Fund

Like the CCF, the Construction Reserve Fund (CRF) encourages upgrading the American-flag fleet. The program allows eligible parties to defer taxation of capital gains on the sale or other disposition of a vessel if net proceeds are placed in a CRF and reinvested in a new vessel within 3 years.

The CRF is used predominantly by owners of vessels operating in coastwise trades, the inland waterways, and other trades not eligible for the CCF Program. Its benefits are not so broad as those of the CCF.

The number of companies with CRF balances increased from 19 to 20 during FY 2000 (see Table 8). The total monies on deposit decreased from \$47.2 million to \$21.3 million.

Shipyard Activity

During FY 2000, the major U.S. shipyards had a diverse orderbook, including both Navy and commercial construction. Navy shipbuilding included surface combatants, submarines, aircraft carriers and 'T-ships.' The 'T' designates Government owned, civilian-manned ships which in most instances, are assigned to the Navy's Military Sealift Command. A significant portion of the Navy's ship construction and conversion program is devoted to 'T-ships.'

As of September 30, 2000, nine T-ships were on order or under construction in three privately owned U.S. shipyards.

At the same time there were 13 commercial oceangoing vessels larger than 1,000 gross tons on order from commercial shipyards in the United States. Orders for four of these vessels were facilitated by MARAD's Title XI program.

Shipbuilding orders included: two 6,299-dwt (72,000 gt) passenger cruise ships at Litton Ingalls; two 720-dwt (1,580 gt) coastal cruise ships at Atlantic Marine; three 125,000-dwt (88,187 gt) crude carriers for the Alaskan North Slope transport market at Litton Avondale; and two 22,790-dwt (58,500 gt) roll-on/roll-off (RO/RO) vessels for Totem Ocean Express. In addition, new shipbuilding orders included three 185,000-dwt tankers for British Petroleum at NASSCO and one 30,000-dwt containership at Kvaerner Philadelphia.

Figure 1 shows the locations of the shipyards constructing commercial vessels greater than 1,000 gross tons (gt) at the end of FY 2000. Chart 5 shows the commercial shipbuilding orderbook as of September 30, 2000.

In FY 2000, there were no deliveries of commercial oceangoing vessels 1,000 gt or greater. Figure 2 shows the commercial shipbuilding order book at the end of each calendar year since 1975, and as of September 30, 2000.

Shipyard Improvements

The U.S. shipbuilding and ship repair industry invested more than \$568 million in FY 2000 to upgrade and expand facilities. Included in this figure was the amount required to construct a completely new shipyard on part of the former Philadelphia Navy Yard that was closed in September 1995. During the last 10 years, the industry has invested more than \$2.5 billion in capital improvement projects.

Much of this investment went to improve efficiency and competitiveness, including new shipyard layouts, new under-roof fabrication buildings, new pipe shops, new panel lines and the purchase of new cranes and transporters, building basins, floating drydocks, cranes, automated equipment and highly mechanized production systems. The emphasis has been on introducing modular techniques, fabrication of larger subassemblies, and pre-outfitting of ship components.

Information received by MARAD indicates that U.S. shipyards plan to spend approximately \$393 million for improvements in FY 2001. The industry's capital investments since 1970 have totaled approximately \$7.4 billion.

ONE DOT Marine Related Activities

MARAD, in cooperation with other Department of Transportation modes, is continuing to work on a series of ship design and shipyard related programs. These programs include:

Transportation Equity Act for the 21st Century, National Ferry Study—DOT is required to report to Congress on the status of the ferry industry within the United States. One section of that report must address the potential for alternative fuel use in the industry. MARAD and FHWA will host workshops to discuss the issue with public and private interests.

MARAD is the program manager for an analysis of emissions reductions and highway congestion that may be achieved by using commuter ferries for the DOT Center of Climate Change and Economic Forecasting. This study is focusing on the San Francisco Bay area where increased ferry growth are projected.

MARAD is developing plans for a low air emission marine power plant program. The project will seek to perform demonstrations in several new technology areas and collaborate with other DOT agencies, other federal agencies, state agencies and private industry. Demonstrations may include: (a) diesel exhaust catalysts; (b) vessel conversion to natural gas; (c) fuel cell for marine applications; and (d) synthetic diesel made from natural gas.

Figure 1: COMMERCIAL SHIPBUILDING ORDERBOOK (1,000 GT AND OVER) SEPTEMBER 30, 2000

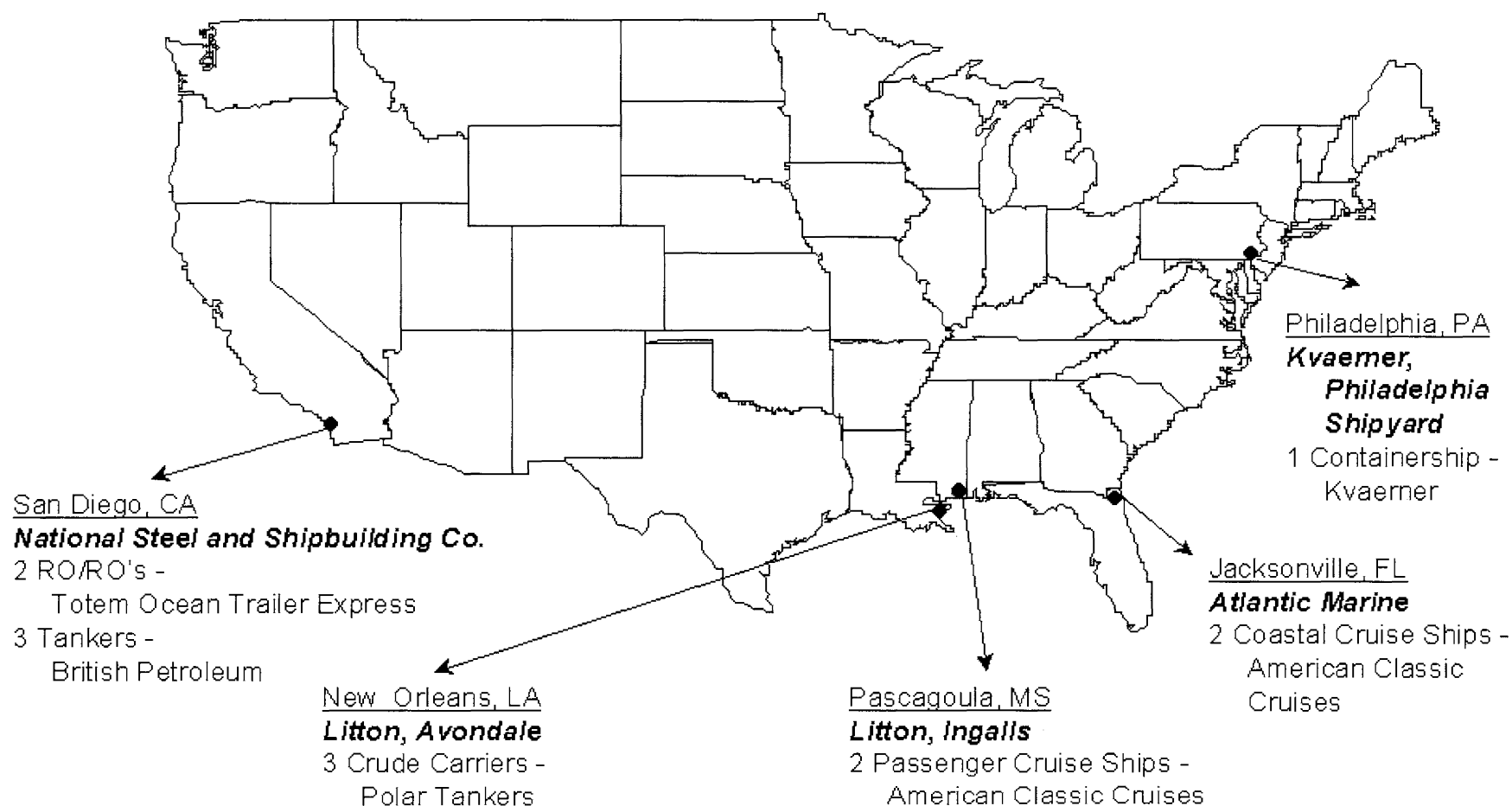
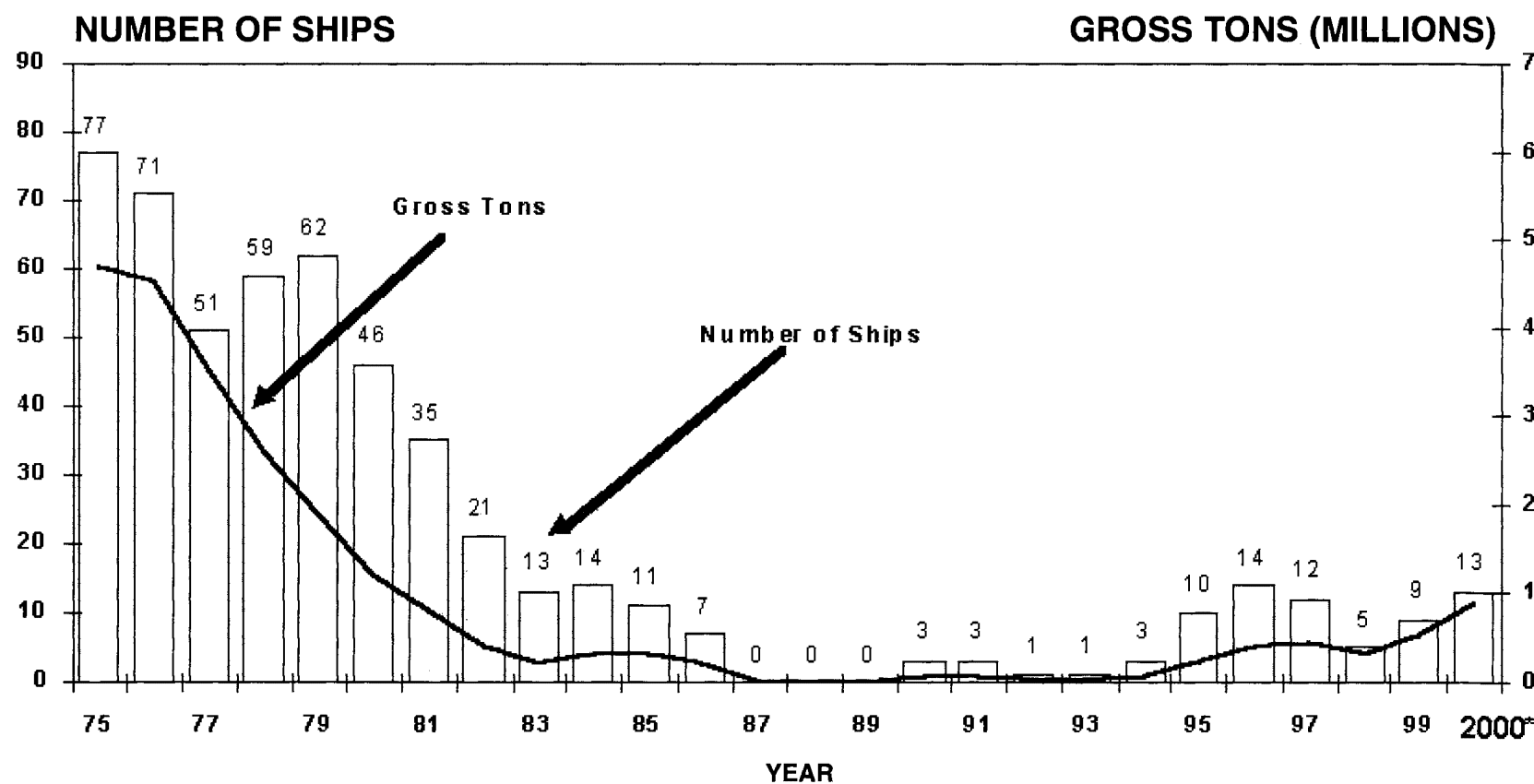
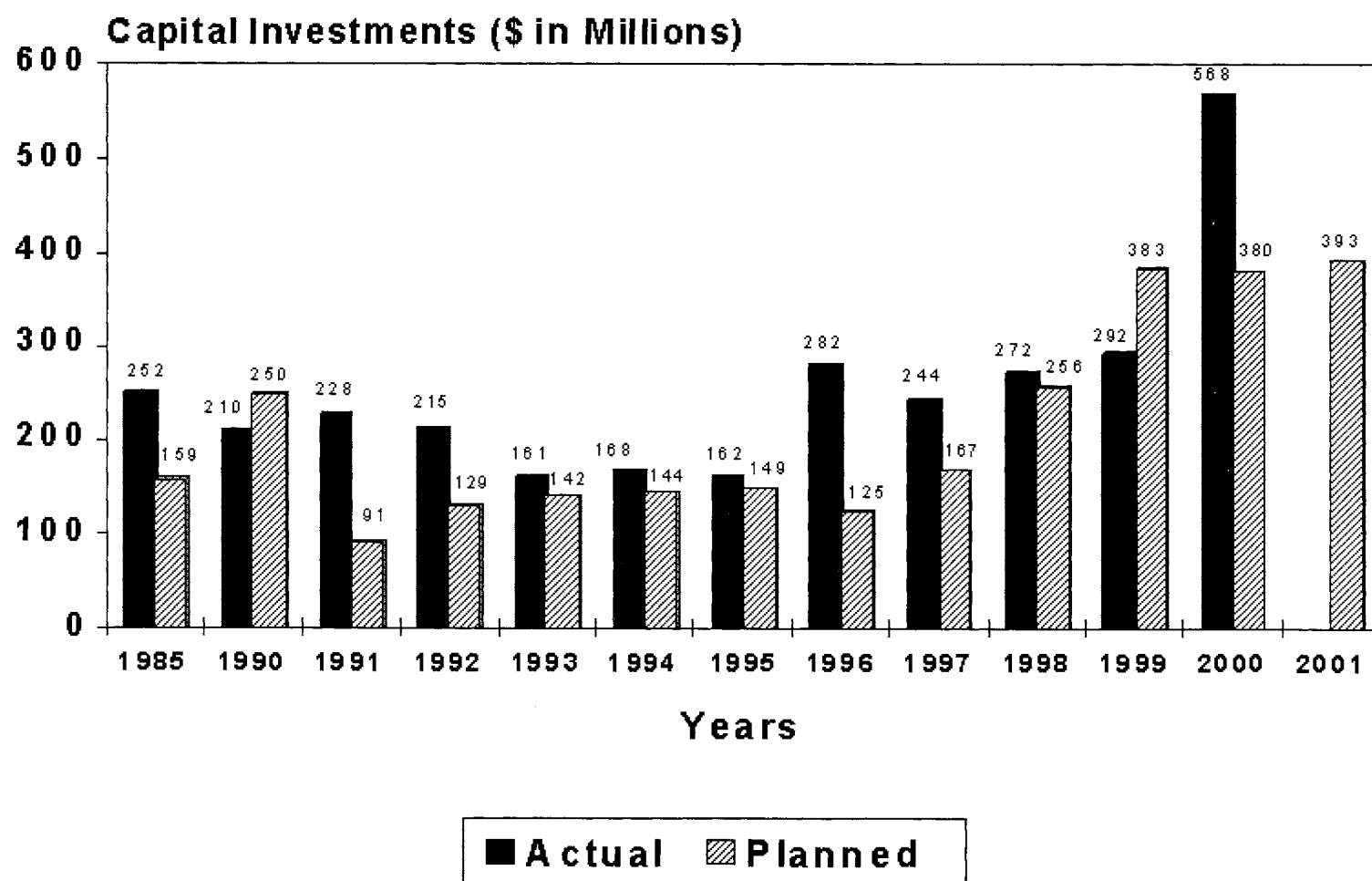


Figure 2: COMMERCIAL SHIPBUILDING ORDERBOOK HISTORY
(AS OF DECEMBER 31)
SHIPS OF 1,000 GROSS TONS AND OVER



*Data as of September 30, 2000

Figure 3: CAPITAL INVESTMENTS U.S. SHIPBUILDING AND REPAIR INDUSTRY



**Chart 4: MAJOR COMMERCIAL NEW CONSTRUCTION ON ORDER
AS OF SEPTEMBER 30, 2000**

<i>Ship Yard</i>	<i>Ship Type</i>	<i>Vessel Name</i>	<i>Gross Tons</i>	<i>Contract Award Date</i>	<i>Estimated Delivery Date</i>	<i>Approximate Contract Price (in \$ millions)</i>
Atlantic Marine	Coastal Cruise Ship	CAPE MAY LIGHT	1,580	05/06/1999	03/15/2001	\$ 37.0
Atlantic Marine	Coastal Cruise Ship	CAPE COD LIGHT	1,580	05/06/1999	06/16/2001	\$ 37.0
Kvaerner, Philadelphia	Containership	-Unnamed-	32,000	01/28/2000	05/24/2002	\$ 81.0
Litton, Avondale	Crude Carrier	POLAR RESOLUTION	88,187	06/30/1997	11/15/2000	\$ 166.0
Litton, Avondale	Crude Carrier	POLAR ENDEAVOR	88,187	06/30/1997	08/31/2001	\$ 166.0
Litton, Avondale	Crude Carrier	POLAR DISCOVERY	88,187	09/30/1998	07/30/2002	\$ 164.0
Litton Ingalls	Passenger Cruise Ship	-Unnamed-	72,000	03/09/1999	01/24/2003	\$ 525.0
Litton Ingalls	Passenger Cruise Ship	-Unnamed-	72,000	03/09/1999	01/23/2004	\$ 522.0
National Steel	RO/RO	-Unnamed-	60,884	12/06/1999	04/01/2002	\$ 150.0
National Steel	RO/RO	-Unnamed-	60,884	12/06/1999	09/01/2002	\$ 150.0
National Steel	Tanker	-Unnamed-	106,968	09/15/2000	12/15/2003	\$ 210.0
National Steel	Tanker	-Unnamed-	106,968	09/15/2000	12/15/2004	\$ 210.0
National Steel	Tanker	-Unnamed-	106,968	09/15/2000	12/15/2005	\$ 210.0
Total	13 Ships		886,393			\$2,628.0

Table 4: Title XI APPROVED GUARANTEES IN FY 2000

<i>Company Name</i>	<i>No. & Type of Project</i>
Rowan Companies, Inc.	1 Jack-Up MODU - GORILLA VII
Global Industries, Ltd.	1 Heavy Lift - Pipelay Barge
Manson Construction Company	1 Hydraulic Pipeline Dredge
Coastal Queen East, LLC./Coastal Queen West, LLC	2 U.S. Flag Cruise Boats
Port Imperial Ferry Corp.	3 Coast Guard Certified Passenger Catamarans
Penn Tug & Barge, Inc.	2 Double-Hull Asphalt/Residual Oil Barges
Pasha Hawaii Transport Lines LLC	1 Pure Car/Truck Carrier
Cal Dive I - Title XI, Inc.	1 Ultra Deepwater Semi-Submersible Multi-Service Vessel
Maybank Navigation Company, LLC	1 Roll On/Roll Off Warehouse Barge
Vessel Management Services, Inc.	3 10,000 HP Specialized Tugboats 2 Line Handling Boats
Puerto Quetzal Power LLC (PQP)*	1 Power Barge
Chiles Rig 14, LLC and Chiles Rig 15, LLC*	2 350-foot Ultra-Premium Cantilever Jack-Up Rigs
TOTAL	21

* Export

** Reflects adjustments to originally approved amount as applicable

Table 5: FEDERAL SHIP FINANCING GUARANTEE (TITLE XI) PROGRAM SUMMARY
Principle Liability (Statutory Limit \$9.5 Billion)
SEPTEMBER 30, 2000

	<i>Contract in Force</i>	
	<i>Vessels Covered</i>	<i>Outstanding Amount (Millions)</i>
Liner	1	\$349,000.00
Bulk	39	736,804,993.78
Passenger	15	1,235,212,767.00
Offshore Drilling Industries	27	1,688,146,443.54
Inland	346	111,794,000.00
Ocean Tugs and Barges	142	296,946,109.20
Other	3*	47,722,000.00
Shipyard	NSC	60,657,500.00
Power Generating Vessels	7	238,397,000.00
Dredging Equipment	8	27,637,239.89
TOTAL	588	\$4,443,667,053.41

* Includes swath dive support vessel and platform supply vessel.

Table 6: WORLDWIDE SHIP DELIVERIES—CALENDAR YEAR 2000¹

<i>Construction</i>	<i>Tonnage in Thousands</i>													
	<i>Total</i>		<i>Tanker</i>		<i>Dry Bulk</i>		<i>Containership</i>		<i>Roll-on/Roll-off</i>		<i>Cruise/Passenger</i>		<i>Other**</i>	
	<i>Ship</i>	<i>Dwt</i>	<i>Ship</i>	<i>Dwt</i>	<i>Ship</i>	<i>Dwt</i>	<i>Ship</i>	<i>Dwt</i>	<i>Ship</i>	<i>Dwt</i>	<i>Ship</i>	<i>Dwt</i>	<i>Ship</i>	<i>Dwt</i>
KOREA (SOUTH)	165	17,316	96	12,862	16	1,880	46	2,410	6	160	-	-	1	3
JAPAN	285	17,019	73	7,173	123	8,472	20	559	28	370	-	-	41	446
CHINA	64	1,690	14	658	8	446	15	286	4	27	-	-	23	273
GERMANY	36	734	3	41	-	-	14	507	7	71	2	11	10	104
TAIWAN	14	729	-	-	4	329	9	343	-	-	-	-	1	57
POLAND	24	495	3	101	-	-	5	134	2	42	-	-	14	218
DENMARK	4	419	-	-	-	-	4	419	-	-	-	-	-	-
SPAIN	10	381	8	371	-	-	-	-	1	6	-	-	1	4
CROATIA	14	347	5	242	-	-	-	-	4	52	-	-	5	53
NETHERLANDS	37	207	5	32	-	-	-	-	1	4	-	-	31	171
PHILIPPINES	6	192	1	N/A	5	192	-	-	-	-	-	-	-	-
ITALY	15	174	6	80	-	-	-	-	2	37	5	33	2	24
ROMANIA	23	119	3	47	-	-	-	-	-	-	-	-	20	72
NORWAY	3	91	3	91	-	-	-	-	-	-	-	-	-	-
RUSSIA	5	57	3	43	-	-	-	-	-	-	-	-	2	14
Top 15 Total	705	39,969	223	21,741	156	11,319	113	4,658	55	769	7	44	151	1,438
All Other	43	357	12	89	2	70	4	53	1	4	6	38	18	104
Grand Total	748	40,326	235	21,830	158	11,389	117	4,711	56	773	13	82	169	1,542

¹ Oceangoing self-propelled vessels of 1,000 gross tons and over.

** Breakbulk ships, partial containerships, refrigerated cargo ships, and specialized cargo ships.

N/A – Not Available

Source: Lloyd's Maritime Information Services

Table 7: CAPITAL CONSTRUCTION FUND HOLDERS—September 30, 2000

Abdon Callais Boat Rentals, Inc.	Eserman Offshore Service, Inc.	OMI Corp.
ABCR Offshore, LLC	Exxon Corporation	Otter Candies, Inc.
AFFCO, Incorporated	Falcon Alpha Shipping, Inc.	Otter Creek Company
Afram Lines (USA) Co	Falcon Capital, Inc.	Overseas Shipholding Group, Inc.
Al A. Gonsoulin	Falgout Bros., Inc.	P. J. Brix, L.L.C.
Alaska Riverways, Inc.	Falgout Marine, Inc.	Pacific Hawaiian Line, Inc.
Alpha Marine Services, Inc.	First Island Company	Pacific Marine & Supply Co., Ltd.
A.M.C. Boats, Inc.	Foss Maritime Company	Proteus Company
AMT Marine, Inc.	Fred Devine Diving & Salvage, Inc.	Puget Sound Freight Lines
Amak Towing Co., Inc.	G & B Marine Transportation, Inc.	Rainbow Tours
Amalgated Henway, Inc.	GATX Corporation	Ritchie Transportation Company
American Classic Voyages, Co.	General Electric Credit & Leasing Corp.	Royal Hawaiian Cruises, Ltd.
American President Lines, Ltd.	General Electric Credit Corp. of Delaware	Sacramento Tugboat Company
American Shipping, Inc.	General Electric Credit Corp. of Georgia	Sause Bros. Inc.
Anderson Tug & Barge Co.	Gilco Supply Boats, Inc.	Sause Bros. Ocean & Towing Co., Inc.
Andover Company, L.P.	Global Industries, Ltd.	Seabird Cruises, Inc.
Apex Marine Corporation	Great Lakes Towing Co.	Seabulk Tankers, Ltd.
Aquarius Marine Company	Hannah Brothers	Sea-Glo, LLC.
Aries Marine Corporation	Hannah Marine Corp.	Sea Horse Marine, Inc.
Atlas Marine Company	Harbor Cruises, Ltd.	Sea-Land Corporation
BP Oil Shipping Co., USA	Hawaiian Cruises, Inc.	Sea-Mar, Inc.
Bethlehem Steel Corp.	Hawaiian Electric Industries, Inc.	Sea Mar Equipment, Inc.
Bigane Vessel Fueling Co.	Hone Heke Corporation	Sea-Mar Operators, Inc.
Binkley Company, The	Household Commercial Financial Svcs, Inc.	Sea Otter, Inc.
Bisso Marine Company, Inc.	Hvide Shipping, Incorp.	Sea Ox, Inc.
Botruc Enterprises, Inc.	Iberia Crewboats & Marine Svc., Inc.	SeaRiver Maritime Financial Holding, Inc.
Bludworth, Richard W.	Inter-Cities Navigation	Serodino, Inc.
Blue Lines, Inc.	International Shipholding Corp.	Sheplers, Inc.
Blue Raven Towing & Charter	Interstate Towing Co.	Silver Bay Loggings Inc.
Brice Incorporated	Island Express Boat Lines, Ltd.	Skansi Marine, LLC
C & C Boat Rentals,	Jade Marine, Inc.	Smith Lightening Co., Inc.
C & E Boat Rentals, Inc.	Jefferson City River Terminal	Southern States Offshore, Inc.
Callais Enterprises Inc.	Jore Group, The	St. Bartholomey Corporation, The
Campbell Towing Company	Kenai Fjord Tours, Inc.	St. Bernard Boat Rental, Inc.
Captain Elliott's Party Boats, Inc.	Kinsman Lines, Inc.	Stan Stephens Charters, Inc.
Cardinal Services, Inc.	L&L Marine Service, Inc.	State Boat Corp.
Catamaran Express, Inc.	L&M Botruc Rental, Inc.	Steel Style Maine, Inc.
Cement Transit Company	Laborde Marine, Ltd.	Steel Style Mairme
Champion Auto Ferry, Inc.	Lady Ann Cruises, Inc.	TMT Corporation
Citicorp Industrial Credit, Inc.	Leppaluoto Offshore Marine, Inc.	Titus, Inc.
Citmarlease (Burmah I), Citmarlease	Lykes Bros. Steamship Co., Inc.	Tobias, Inc.
(Burmah Liquegas), Inc.	Maalaea Kai Enterprises, Inc.	Torch, Inc.
Citmarlease (Burmah LNG Carrier), Inc.	Madeline Island Ferry Lines, Inc.	Total Transportation, Inc.
Citmarlease (Fulton),	Matson Navigation Company, Inc.	Totem Resources Corp.
Citmarlease (Whitney), Inc.	Maybank Navigation Co., LLC	Union Oil Co. of California
Clipper Navigation Inc.	Middle Rock, Incorporated	United Marine Holdings LLC
Coast-Craft, Inc.	Miller Boat Line, Inc.	United Tugs, Inc.
Cook Inlet Tug & Barge Co., Inc.	Milwaukee Bulk Terminals, Inc.	Van Ommeren Shipping (USA) LLC.
Coon Brothers, Inc.	Mogul Ocean Towing, Ltd.	Washington Island Ferry Line, Inc.
Cowan Towing & Salvage Co.	Montco Offshore, Inc.	Waveland Marine Service, Inc.
Crewboats, Inc.	National Steel & Shipbuilding Co.	West Travel, Inc.
Crosby Enterprises, LLC.	Navatek, Ltd.	WFC, Inc.
Cross Marine, Inc.	Newman Boat Line, Inc.	Wilmington Trust Co./Bell Atlantic TriCon
Crowley Maritime Corporation	Nicor, Inc.	Leasing Co.
Cvitanovic Boat Service, Inc.	Northland Services, Inc.	Windjammer Cruises, Inc.
Danos & Inc.	Ocean Shipholdings, Inc.	Y & S Marine, Inc.
Danos Marine, Inc.	Oceanic Fleet, Inc.	Zidell Corp.
Durocher Dock and Dredge, Inc.	Oceanic Research Services, Inc.	Zita Corporation
Edison Chouest Offshore, Inc.	Oglebay Norton Company	
Edward E. Gillen Co.	O.L. Schmidt Barge Lines, Inc.	

Table 8: CONSTRUCTION RESERVE FUND HOLDERS—September 30, 2000

American Heavy Lift Shipping Co.	Crowley Vessel Funding, Inc.	Seacor Ocean Support Services, Inc.
Anna Offshore, Inc.	Graham Boats, Inc.	Seacor Offshore Inc.
Arthur Levy Enterprises, Inc.	Graham Offshore, Inc.	Seacor Worldwide, Inc.
P.J. Brix, L.L.C.	McCall Marine Services, Inc.	Serodino, Inc.
Central Gulf Steamship Corp.	Pacific Hawaiian Line, Inc.	Special Expeditions, Inc.
Champion Offshore Boat Service, Inc.	Red & White Fleet, Inc.	Steuart Investment Co.
Crowley Launch and Tugboat Co.	Seacor Marine Inc.	
	Seacor Marine International, Inc.	

CHAPTER 3

Port, Intermodal, and Environmental Activities

The Port, Intermodal, and Environmental programs of MARAD are an integral part of the new vision of transportation at the U.S. Department of Transportation that goes beyond public works. They represent key elements of the Department's strategic goals that are focused on improving the U.S. transportation system. The Marine Transportation System (MTS) initiative that MARAD co-leads continues to be the focus of efforts to accomplish the goals of the Agency and the Department. The challenge is to steer the course and implement the recommendations of the MTS initiative as reported to Congress in September 1999 which is discussed more fully in Chapter 4.

The Agency's major activities and programs are designed to assist the marine industry, both public and private, to meet the challenges of moving people and goods. A primary role for MARAD is to assist and promote port, intermodal, and environmental planning and operations.

In fiscal year 2000, the Agency continued to expand activities and programs to assist in the development of intermodal networks and technology that improve the efficient flow of cargo and reduce transport cost. MARAD's environmental protection program seeks to enhance environmental protection and sustainable development in its programs and in the U.S. maritime industry. In times of national emergency or contingency, MARAD plans for the use of ports and port facilities and for the priority use and procurement of containers and other intermodal equipment to minimize disruption of inventory distribution. (See Chapter 1.)

The principal fiscal year (FY) 2000 activities related to the Agency's port, intermodal, and environmental programs are summarized below.

Ports

Port Economic Impact Models

The Agency revised its Port Economic Impact Kit (MARAD Port Kit). A self-contained computer-based model, the Port Kit enables U.S. deep-draft ports and other organizations to assess the economic impacts of maritime-related construction and ongoing activities at the national and state levels. The MARAD Port Kit –

- ◆ Quantifies the economic value of deep-draft port activities, as measured by employment, income, and tax revenues generated;

- ◆ Facilitates understanding of how U.S. deep-draft ports are linked to other industries;
- ◆ Performs "what if" simulations; and
- ◆ Assesses the economic implications of potential investments and new business activity.

An advisory committee of member ports of the American Association of Port Authorities (AAPA) provided technical assistance, and other key maritime industry associations were consulted. The MARAD Port Kit underwent significant beta testing at several ports prior to its release. Ongoing maritime activities modeled include container, liquid and dry bulk, break-bulk, auto transport, project cargo, cruise, and passenger ferry operations.

Port Facility Conveyance Program

By delegated authority, MARAD conveys Base Realignment and Closures (BRAC) and other surplus Federal real property to public entities for the development or operation of a port facility. The program provides a no-cost means for local entities to acquire property for use as a port facility. The program helps create jobs, revitalize communities negatively impacted by base closures or other Federal action, and increase port capacity.

One port facility conveyance application was approved in FY 2000 for the City of Key West, FL. Conveyances have been completed in Richland, WA; Port Hueneme, Los Angeles, and Stockton, CA; and North Kingstown, RI. One new application was filed by the Tri-City Regional Port District, Granite City, IL.

CCDoTT

MARAD entered into cooperative agreements in FY 1997, with the U.S. Transportation Command (TRANSCOM) and California State University at Long Beach (CSULB) to assist in managing the Center for the Commercial Deployment of Transportation Technologies (CCDoTT). The CCDoTT program demonstrates existing, emerging, and developing technologies in cargo handling, tagging, tracking, information management systems, and high-speed sealift.

These technologies, if adopted, will help the military deploy more quickly, expand the ability of commercial transportation to accommodate surges of military cargo, and minimize commercial transportation disruption.

In FY2000, CCDoTT demonstrated or advanced a number of concepts or technologies including: water tank testing of the trimaran hull form, validation of a fully automated container terminal, development and outreach on an agile port concept using efficient marine rail, validation of a sea based port, and completion of a high speed ferry and coastwise vessel study.

Philadelphia Agile Port Study

MARAD continued its cooperative agreement with the Delaware River Port Authority and assisted in managing a Congressionally sponsored study. An agile port is a marine terminal capable of accommodating military surge and sustainment cargoes while minimizing disruption of commercial operations within the terminal. The study will demonstrate the advanced "agile port" concept as a means to reduce transit and delivery times for seagoing shipments of military cargo. The study will also evaluate existing and currently planned terminal and inter-modal capabilities and compare these against demand requirements for commercial and military (surge and sustainment) cargo. Contractors have completed their work and delivered the draft report to the Delaware River Port Authority for their review.

Public Port Financing

MARAD continues to maintain an extensive database of U.S. port financial data (covering 1978-1999), that permits in-depth analyses of the port industry. In cooperation with AAPA's Finance Committee, MARAD published (December 1999) the Public Port Finance Survey containing FY 1998 data. The FY 1999 report was scheduled to be published in January 2001.

Port Capital Expenditures

Deep-draft

The United States Port Development Expenditure Report analyzes the public port industry's capital expenditures for 1998 and projected expenditures for 1999-2003. Report analysis includes the financing methods used to fund these expenditures. Charts 1 and 2 show the public port industry's capital expenditures for 1998 and projected expenditures for 1999-2003.

Inland Shallow-draft

In February 2000, with the assistance of two industry associations – the National Waterways Conference and the Inland Rivers, Ports, & Terminals, Inc. – MARAD published the second study of capital expenditures at inland river ports. Actual 1997, 1998, and historic (through 1996) expenditures are covered, along with the financing methods used to fund these expenditures. A third study covering FY 1999 expenditures is planned for Spring 2001.

Chart 5: U.S. Port Capital Expenditures for 1998
(Thousands of Dollars)

<i>Region</i>	<i>Expenditures</i>	<i>Percent</i>
North Atlantic	\$126,486	8.9%
South Atlantic	306,620	21.7%
Gulf	193,101	13.7%
South Pacific	457,309	32.3%
North Pacific	244,612	17.3%
Great Lakes	28,871	2.0%
AK, HI, PR, and VI*	50,306	3.6%
Guam, Saipan	7,092	0.5%
Total	\$1,414,397	100.0%

* Alaska, Hawaii, Puerto Rico, and the Virgin Islands

Chart 6: U.S. Port Capital Expenditures
Projected for 1999 - 2003
(Thousands of Dollars)

<i>Region</i>	<i>Expenditures</i>	<i>Percent</i>
North Atlantic	\$1,447,815	15.9%
South Atlantic	1,785,351	19.6%
Gulf	1,372,815	15.0%
South Pacific	3,220,704	35.3%
North Pacific	925,679	10.1%
Great Lakes	42,622	0.5%
AK, HI, PR, & VI *	293,250	3.2%
Guam, Saipan	40,500	0.4%
Total	\$9,128,736	100.0%

* Alaska, Hawaii, Puerto Rico, and the Virgin Islands

Risk Management

In 1998, MARAD updated its Port Risk Management and Insurance Guidebook, the result of a partnership between the Agency and the AAPA Finance Committee. It documents how risk management and insurance programs can be effective tools in improving port operations. The first revision was published in FY 1999, with a second one planned for summer 2001. Revisions will be published as necessary.

Port Readiness

MARAD continues to monitor the readiness of strategic commercial ports through semi-annual port readiness assessments, visits, and monthly survey reports that are provided by the commercial ports. Annual port planning orders are issued and necessary revisions are made according to existing port conditions.

Regular meetings of the National Port Readiness Network (NPRN) steering and working groups are held and chaired by MARAD. Nine Federal agencies are members of the NPRN that have responsibilities for supporting the movement of military forces through U.S. ports.

Efforts have been made to improve coordination and NPRN initiatives both at the national and local level. The NPRN website is available and can be accessed at <http://www.marad.dot.gov/nprn>.

Port and Cargo Security

MARAD's port and cargo security program aims to reduce criminal exploitation of commercial maritime cargo, particularly drug smuggling, cargo theft, and other forms of cargo crime. Cooperative international seaport security partnerships among Government and private sectors are used to facilitate collaboration with multinational entities such as the Organization of American States, American Association of Port Authorities, Maritime Security Council, and International Association of Airport and Seaport Police.

The activities are intended to decrease drug smuggling and cargo crimes in commercial maritime conveyances. MARAD supports improved seaport security measures as a means of restricting access to commercial cargoes by drug smugglers.

Features of the Program include:

- ◆ Research and reports (e.g., Maritime Security Report);
- ◆ International training (e.g., Inter-American Port Security Training Program in cooperation with the Organization of American States (OAS));
- ◆ Government/industry partnerships (e.g., an Inter-American seaport security strategy currently under development in collaboration with the OAS);
- ◆ Participation in the Security Subcommittee of the Interagency Committee on the Marine Transportation System.

This group is a working-level interagency network represented by law enforcement and intelligence elements of Federal agencies with interests in seaport security. It is responsible for interagency issues concerning improvements of security, such as the recommendations in the MTS Report to Congress and relevant recommendations of the Interagency Commission on Crime and Security in U.S. Seaports.

MARAD, the U.S. Customs Service, and the Justice Department co-chaired the Interagency Commission on Crime

and Security in U.S. Seaports. The Commission was tasked by Presidential Memorandum with conducting a 12-month examination of the critical concerns of crime and security affecting the country's maritime trade, including the international implications, and to report its findings to the White House. MARAD made significant contributions to the preparation of the Commission's final report, which was released by the White House in September 2000.

Technical Assistance to Foreign Ports

MARAD continues to provide technical assistance to foreign governments for improving harbor and terminal operations, training of human resources, and improvement of cargo security.

Training

The Inter-American Port Security Training Program provides port security training courses for commercial port authority police and security personnel and was developed through the OAS Inter-American Committee on Ports. The 2000 training program consisted of one regional course for English-speaking Caribbean countries and was conducted in St. Lucia.

National Port Security Strategy Development

MARAD participated in the planning and execution of an interagency project that conducted port security assessments of Peruvian ports and produced a report useful to the Government of Peru's interest in a national port security strategy. The assistance effort, requested by the Government of Peru through the U.S. Embassy in Lima, was led by the embassy Narcotics Affairs Section. The U.S. Southern Command organized the U.S. interagency team. Project requirements were executed by MARAD, Customs Service, Coast Guard, Drug Enforcement Administration, and the Port of Los Angeles Police Department.

Inter-American Committee on Ports (CIP)

MARAD serves as the U.S. delegate to the OAS Inter-American Committee on Ports (CIP). The CIP is a permanent inter-American forum of national governmental authorities in port matters for strengthening port cooperation and includes the active participation of the private sector.

MARAD is a member of the 15-member Executive Board and its First Vice Chair. MARAD also is chair and secretariat of the Technical Advisory Group on Port Security (TAG), established in 1999.

The TAG address port security problems in the Western Hemisphere. The membership consists of port officials from the hemisphere and the private sector. American companies were invited to become associate members of the TAG and met in Bridgetown, Barbados, on December 8, 2000.

International Port Assessments

During calendar year 2000, MARAD completed two port

damage assessment reports for Honduras and Nicaragua. The MARAD-led team consisted of representatives of the U.S. Coast Guard, U.S. Army Corps of Engineers, Federal Highway Administration, National Oceanic and Atmospheric Administration, and experts from the U.S. port industry. The short-term and long-term damage assessment reports were designed to assist in the national reconstruction of Honduras and Nicaragua as a result of the damages incurred from Hurricane Mitch in 1998.

Marine Intermodal Freight Transportation/Intermodal Systems

During FY 2000 the Cargo Handling Cooperative Program received funding from CCDoTT for a program to address chassis identification, operation, and maintenance. The program will be carried out in three parts: (1) review and report on the state of the art for technology for chassis tags; (2) design and develop chassis for more efficient operations and maintenance; and (3) improve asset movement location through a global positioning/global location system.

MARAD, in cooperation with CCDoTT and TRANSCOM continued the development of the Agile Port Concept through a simulation demonstration of the Concept to ports on the West Coast. The ports were Seattle, Tacoma, Portland, Oakland, Los Angeles, and Long Beach. FY2000 also saw an initiated framework to develop a cooperative agreement with the Port of Tacoma to demonstrate the Efficient Marine Terminal under the Agile Port Concept. The intermodal terminal demonstration will include an intermodal team consisting of the port authority, labor, a Class One railroad and either Hanjin or Evergreen.

MARAD also initiated a framework by which to complete a regional assessment to demonstrate the Intermodal Interface Center of the Agile Port Concept. The cooperative assessment will include participation by personnel from the ports of Seattle, Tacoma, Portland, CCDoTT, and MARAD.

MARAD continues to participate in the Intermodal Freight Technology Working Group. The Group consists of a public-private partnership to perform business process mapping, technology demonstration and technology scanning. The year saw the development of a business process map to assist in harmonization and standardization of back office infrastructure systems for the entire freight delivery process. As part of this process MARAD cost-shared and participated in the 2nd Intermodal Freight Technology Workshop to assess progress since the Reston I Conference and to define future actions necessary to advance freight alliances. Two key objectives met include (1) accelerating ongoing progress towards harmonizing freight technologies and exploring the benefits of such technologies; and (2) updating the awareness and understanding of key freight technology initiatives across freight communities in the U.S. and internationally.

MARAD participated in development of the Transportation

Research Board Global Intermodal Freight Conference. MARAD also developed and moderated an industry panel on "Labor and Technology" that highlighted system requirements, training, and labor cost. Information from the Conference provided background material for labor discussion of changes at the Town Hall meeting sponsored by Center for International Trade and Transportation.

Departmental and DOT Agency Initiatives

MARAD participated in the I-95 Corridor Coalition Intermodal Program Track Committee initiatives. The Committee continues to develop strategies and funds projects to improve freight mobility from Maine to Virginia without building additional highways. The Committee has developed a number of action steps including: (1) increasing the involvement of leadership within the American Association of State Highway Traffic Officials (AASHTO) and its members; (2) educating a cross-section of mid-level intermodal leaders; and (3) building a working intermodal coalition for the I-95 Corridor.

MARAD was part of FHWA's outreach effort on educating public officials and industry on sections 1118 and 1119 of the Transportation Equity Act for the 21st Century (TEA-21). These sections established the National Corridor Planning and Development Program (NCPD program) and the Coordinated Border Infrastructure Program (CBI). These programs provide funding for planning, project development, construction and operation of projects that serve border regions near Mexico and Canada and high priority corridors throughout the United States. In addition, MARAD participated in the One-DOT panels to evaluate FY 1999 and FY 2000 grant applications.

MARAD assisted the FHWA by participating in the Freight Analysis Framework initiative that supports the development of strategic network and analytical framework to improve freight productivity and mobility. MARAD advises on intermodal freight issues, such as port capacity and maritime data. The scope of the initiative is to provide the framework for the reauthorization of the Department's Surface Transportation program.

MARAD, as part of the Department's Sustainable America initiative, participated in the Livability Working Group. Accomplishments included consideration of freight and port sustainable practices in DOT's sponsored sessions. Also, MARAD was instrumental in getting the marine transportation system and high speed ferries and coastwise vessels to be part of the Department's website as some of the DOT programs and responsibilities that affect the livability of America's communities.

MARAD served on the Working Group Design for Transportation National Awards Program to develop an evaluation strategy for the Department's Design for Transportation National Awards 2000 Program. The award honored those facilities and activities that exemplify the highest standards of design and have made an outstanding contribution to the nation's transportation systems and the people they serve.

MARAD participated in a Departmental evaluation, led by the Research and Special Programs Administration, of applications for a University Transportation Center (UTC) grant. This solicitation marked the third time DOT opened the UTC Program for competition. Successful applicants were eligible to receive grants of up to \$1 million per year for the five academic years starting in 1999. TEA-21 established education as one of the primary objectives of an UTC, institutionalized the use of strategic planning in university grant management, and reinforced the program's focus on multi-modal surface transportation.

Technical Assistance

MARAD was part of the DOT interagency team sent by the Secretary to assist the Nigerian government in an assessment of the transport system of that African nation. MARAD developed the maritime section of a comprehensive report submitted to the Nigerian government for consideration. At the request of the Nigerian government, MARAD arranged the collection and transport of used maritime textbooks from U.S. state maritime academies to the maritime school in Orun. The textbooks will be used by current students to improve their understanding of important maritime subjects.

Environmental Activities

Dredging

MARAD continues to address dredging and dredged material management issues that face many of the Nation's ports and harbors. The Agency remains an active participant in the activities of the National Dredging Team (NDT) and Regional Dredging Teams (RDTs). The NDT seeks to facilitate communication, coordination, and resolution of dredging issues among participating Federal agencies and to assure that dredging of U.S. harbors and channels is conducted in a timely and cost-effective manner, while ensuring environmental protection. The RDTs seek to resolve regional dredging issues. The NDT is co-chaired by the U.S. Army Corps of Engineers (ACE) and the U.S. Environmental Protection Agency (EPA). In addition to MARAD, other participating agencies are the U.S. National Oceanic and Atmospheric Administration (NOAA) and the U.S. Fish and Wildlife Service (FWS).

The NDT serves as a forum for promoting implementation of the National Dredging Policy and the 18 recommendations contained in the December 1994 Report to the Secretary of Transportation, *The Dredging Process in the United States: An Action Plan for Improvement*. Most of those report recommendations have been fully implemented or action is ongoing to complete implementation. Findings and principles outlined in the December 1994 Action Plan remain valid. Some accomplishments over the last several years include:

- ◆ Guidance issued by the NDT has resulted in establishment of 10 RDTs;

- ◆ Numerous stakeholder outreach meetings have been conducted;
- ◆ An NDT/RDT national meeting was held;
- ◆ A major workshop on dredged material management plans and state coastal management programs was conducted, which will serve as the foundation for future actions by the NDT on beneficial use of dredged material;
- ◆ NDT guidance was issued on the creation of local planning groups and the development of dredged material management plans;
- ◆ NDT guidance was issued on procedures for elevating issues from RDTs and local planning groups to the NDT; and
- ◆ The NDT at Coastal Zone Conferences sponsored special sessions on dredged material management planning and beneficial use of dredged material.

The interagency team has developed and updated an Action Plan for the NDT that is undergoing final review and comment. The new Action Plan builds upon past accomplishments and provides a heightened focus on beneficial use of dredged material and a holistic approach to dredged material management. Among key focus areas included in the updated Action Plan are:

- ◆ promotion of beneficial use of dredged material;
- ◆ promotion of development of dredged material management plans;
- ◆ improvement of coordination, communications, issue resolution, and outreach to stakeholders; and
- ◆ integration of NDT actions with other Federal government priorities, including the Clean Water Action Plan and the Marine Transportation System (MTS) initiative.

In September 1999, the U.S. Department of Transportation published a Report to Congress, *An Assessment of the U.S. Marine Transportation System*. The Marine Transportation System (MTS) report reflects a highly collaborative effort among public sector agencies, private sector organizations, and other stakeholders in the MTS. Among its many provisions, it provides a comprehensive review of dredging and dredged material management issues within the context of the MTS. The MTS report, along with other major Administration initiatives, has served to refine the updated NDT Action Plan. The NDT has established liaison on dredging issues with the MTS National Advisory Council (MTSNAC) and the Federal Interagency Committee for the MTS (ICMTS) and participates in the activities of these bodies, including regional dialogue meetings. Together, the NDT, RDTs, MTSNAC, and ICMTS are able to address the issues of sediment management and beneficial use of dredged material within the watershed context.

At the end of the fiscal year the NDT was finalizing plans for a Dredged Material Management Workshop scheduled for January 2001 in Jacksonville, FL. MARAD is supporting this

effort, along with the other Federal agencies of the NDT. Topics to be addressed at the workshop include:

- ◆ beneficial use of dredged material;
- ◆ sediment management;
- ◆ strengthening RDTs;
- ◆ emerging issues in dredged material management;
- ◆ interaction of dredging issues with the MTS; and
- ◆ environmental windows for dredging projects.

Environmental Compliance and Compliance Management

MARAD seeks to protect the environment by ensuring that its facilities are operated and its programs are conducted in compliance with environmental laws, regulations, orders, and treaties. Since the inception of the internal environmental compliance review program in 1992, MARAD has conducted several rounds of compliance reviews at key Agency facilities. As a result of these reviews, MARAD has taken significant steps toward improving facility environmental compliance and enhancing environmental stewardship. The Agency has continued to reduce the amount of regulated hazardous substances and materials that are used or found at its facilities and aboard its vessels. MARAD has reduced the quantities of hazardous wastes that are generated by its facilities and vessels and it has implemented Presidential executive orders dealing with pollution prevention, recycling, and environmental justice.

The Agency has maintained its efforts to assure that Title XI loan guarantee projects and ship disposal sales are in compliance with applicable environmental requirements.

Of particular note, the Agency's Office of Environmental Activities, as well as regional and field personnel, pursue a multi-disciplined approach to the resolution of environmental issues related to management of obsolete vessels and ship scrapping. Actions include:

- ◆ continuing development and implementation of environmental, business, operational, and health and safety requirements for the Technical Compliance Plans (TCPs) submitted by bidders for scrapping of MARAD obsolete ships, and continued review of TCPs submitted by prospective scrappers;
- ◆ monitoring domestic vessel scrapping operations through periodic site visits and regular status reports to assure compliance with the terms of the TCPs;
- ◆ pursuing, with the U.S. Navy, EPA, and U.S. Occupational Safety and Health Administration (OSHA), additional measures to improve the ship scrapping process, such as the recent completion and publication by EPA of an environmental and worker health and safety regulatory compliance guidebook for the ship scrapping industry; and

- ◆ providing guidance for minimizing hazardous waste on vessels before the vessels enter the National Defense Reserve Fleet (NDRF).

MARAD is the principal Federal agency with the responsibility for the disposal, scrapping, and recycling of obsolete commercial, noncombatant ships in the United States. In March 2000, MARAD was represented on the U.S. delegation to the 44th session of the Marine Environment Protection Committee (MEPC 44) of the International Maritime Organization (IMO) in London to discuss development of international standards for environmentally sound ship scrapping and recycling. In April and October 2000, MARAD was part of the U.S. delegation to the Basel Convention technical working group meetings in Geneva regarding the development of environmental guidelines for ship recycling yards. MARAD has the lead for ship scrapping and recycling on the U.S. delegations to meetings of both the IMO/MEPC and the Basel Convention technical working group.

With regard to other NDRF and Ready Reserve Force (RRF) vessels, MARAD continues to provide guidance for proper disposal of oily waste and hazardous materials from Reduced Operating Status (ROS) vessels of the RRF. The Agency is developing a biological assessment concerning its vessel operations in the Atlantic Ocean and the Gulf of Mexico as part of the consultation process with NOAA under the authority of Section 7 of the Endangered Species Act. Finally, the Agency is developing a long-range plan to address reducing ship strikes of the northern right whale, thereby increasing the chance of survival of this endangered species.

MARAD also continues to fulfill its legal, financial, and technical responsibilities for evaluating and implementing plans and actions involving contaminated sites in California and Maryland, as well as at other areas in the Nation. Among these sites were World War II shipyards that performed work on U.S. Government vessels.

MARAD has assisted in developing a training program for environmental justice and has provided information to its reserve fleets, regions, and headquarters staff to improve awareness in this area. The MARAD environmental justice strategy and the DOT Order issued on this subject are being used to promote environmental justice throughout the Agency's programs.

Environmental Standards

MARAD continued its support for the development of national and international environmental standards. Because of the international nature of maritime affairs, much of the focus on standards has shifted to the international arena. Facing some of the most stringent requirements in the world, the domestic industry welcomes this critical shift. Such a change will help to "level the playing field," thereby maintaining U.S. industry's international competitiveness.

Internationally, the Agency serves on the International Organization for Standardization (ISO) Technical Committee on Ships and Marine Technology (TC8), where MARAD is the U.S. delegate to the Marine Environmental Protection Subcommittee (SC2) and the convener for the Subcommittee's working group on environmental response. Nationally, MARAD participates on the National Shipbuilding Research Program's (NSRP's) Environmental Panel. In addition, MARAD actively participates in Departmental and interagency forums involved in environmental justice and brownfields redevelopment. As stated previously, MARAD has the lead on the U.S. delegations to the IMO/MEPC and the Basel Convention technical working group with regard to development of environmental standards for ship scrapping and recycling.

MARAD also participates in the activities of the U.S. Shipping Coordinating Committee (SHC) and related interagency working groups. The SHC and its subcommittees and working groups, which are generally chaired by the Coast Guard, prepare U.S. positions for meetings of the Assembly, Council, committees and subcommittees, as well as for special international conferences, of the IMO. The IMO is the United Nations specialized agency responsible for improving maritime safety and preventing pollution from ships. Significant IMO environmental issues of particular interest to MARAD during FY 2000 continued to be the prevention and control of the harmful effects of the use of anti-fouling paints for ships; air pollution from ships; harmful aquatic organisms in ships' ballast water; and the adverse environmental and worker health and safety impacts of ship scrapping.

MARAD actively supports, along with other DOT modal agencies and the Office of the Secretary, the DOT Center for Climate Change and Environmental Forecasting. Three Center goals include:

- ◆ calling for supporting the capacity of DOT to address environmental and climate change concerns through an intermodal, transportation systems approach that promotes energy-efficient and sustainable transportation services;
- ◆ enabling the transportation sector to responsibly contribute to national goals and commitments for greenhouse gas reductions; and
- ◆ ensuring that the Nation's transportation systems are prepared to address the potential long-range effects of global climate change.

Industry Support

MARAD continues to assist the U.S. shipbuilding and ship repair industry with its efforts to comply with environmental laws and regulations. This activity includes establishing and maintaining working relationships with federal and state regulatory agencies to foster the development of economically and environmentally sound regulatory policies and practices. For example, MARAD has been working with EPA and the U.S.

shipyards to undertake actions that grew out of recommendations from the March 1999 MARAD/EPA/Shipyard Environmental Forum. In addition, EPA and MARAD conducted a workshop with the shipyards on storm water management. EPA and MARAD also organized regional forums among shipyards, EPA regional offices, and state environmental agencies in order to facilitate a multi-level dialog on shipyard environmental challenges and to develop shipyard environmental compliance assistance tools. One such tool, developed through a partnership of Gulf Coast shipyards, Gulf Coast state environmental officials, MARAD, and EPA, is an environmental management practices document for shipyard paint-blasting operations.

MARAD and EPA met with the shipyards in April 2000 to discuss the progress of EPA's sustainable industries program with regard to shipyards. The meeting provided the participants an opportunity to identify and prioritize environmental issues for continued cooperative partnerships. In addition, the participants discussed how best to implement a program of regional shipyard environmental forums to engage regional, state, and local cooperation to address shipyard environmental issues.

In support of the Nation's efforts to reduce the contamination of water bodies caused by shipyard operations, particularly from tributyltin anti-fouling coatings, MARAD provided seed money and formed a partnership with EPA and the Center for Advanced Ship Repair and Maintenance (CASRM) to develop and demonstrate a dry dock water treatment system. The result of the project is a mobile treatment system on a barge that is used by shipyards in the Norfolk, VA, area to treat water contaminated by TBT. While some additional work is required to enhance the system, the system has achieved the necessary reduction of TBT levels in shipyard effluent. It is anticipated that the system can be modified to address other contaminants as well.

MARAD, the U.S. Navy, and OSHA assisted EPA in the development of EPA's report, *A Guide for Ship Scrappers: Tips for Regulatory Compliance*. This regulatory compliance guide provides, among other things, an overview of the ship scrapping industry, the ship scrapping process, and the U.S. government ship scrapping program. The guide also offers important information on key environmental and worker health and safety requirements for the ship scrapping process. Activities discussed are asbestos removal and disposal; sampling, removal, and disposal of polychlorinated biphenyls (PCBs); bilge and ballast water removal; oil and fuel removal and disposal; paint removal and disposal; metal cutting and metal recycling; and removal and disposal of miscellaneous ship machinery.

MARAD worked with EPA in the development of the EPA Environmental Screening Checklist and Workbook for the Water Transportation Industry. Prepared as a public service to water transportation facilities, this document highlights important or key environmental requirements as they apply to the various federal environmental programs. The term "facility" refers to, but is not limited to, the shipping port, shipping sites, terminals, ships, towboats, and barges, which are overseen by owners, operators, tenants, managers, and field personnel.

MARAD participates on interagency working groups and other bodies concerned with national and international measures for controlling air pollution from ships; adverse effects of anti-fouling paints used for ships; and aquatic nuisance organisms in ships' ballast water.

With regard to controlling air pollution from ships, MARAD is engaged in several public-private partnerships related to the development and deployment of clean engine, clean fuel, and fuel cell technologies for shipboard applications. Currently, a research project is underway to monitor exhaust emissions from sister ferries using compressed natural gas and diesel fuel.

MARAD is a member of the Ballast Water and Shipping Committee of the Aquatic Nuisance Species Task Force and the working group for the development of ballast water treatment standards. Furthermore, MARAD is working with other federal agencies and industry to foster a ballast water treatment (BWT) technology test program.

The Agency continues working to advance port-related programs, such as dredging and dredged material management, federal facility conveyance, economic development, environmental management, and brownfields redevelopment. U.S. ports, because of their unique roles as vital economic engines for U.S. commerce and employment and because of their unique locations in industrial and commercial areas, which are environmentally sensitive, provide opportunities for important sustainable development. For example, brownfields—abandoned, idled, or underused industrial and commercial properties where expansion

or redevelopment is complicated by real or perceived contamination—are frequently located in port areas. Some of these areas may provide opportunities for port redevelopment, expansion, and modernization at considerable economic and environmental advantage to ports and other sectors of the maritime industry, as well as to the local community. Furthermore, dredged material from harbors and channels may be suitable for reclamation of brownfield sites, as well as for numerous other beneficial uses.

As with the shipyards, MARAD is working with the ports and EPA to facilitate a dialog on port environmental compliance issues and is supporting an effort to develop a model environmental management system for ports. Also, MARAD is working closely with U.S.-flag vessel owners and operators. The Agency is cooperating with the Chamber of Shipping of America to develop, under an EPA grant, an environmental management handbook for vessel owners and operators. In addition, MARAD is working with the Chamber to resolve environmental issues related to shipboard ballast water management and anti-fouling paints on ships.

Also, MARAD continues preparation of four issues annually of its quarterly Report on Port and Shipping Safety and Environmental Protection (reports 54-57 during FY 2000). These reports summarize activities at the international and national levels concerning safety and environmental protection matters related to ports and shipping. Of particular importance are the summaries of activities of the IMO. These reports are made available on three Internet web sites.

CHAPTER 4

Domestic Operations

MARAD actively promotes and develops the domestic merchant marine in support of the Department of Transportation's (DOT) strategic goal of *"advancing America's economic growth and domestic and international competitiveness through efficient and flexible transportation."*

The domestic shipping operations of the American merchant marine provide essential services to 41 States reaching 90 percent of the national population. During calendar year 1999, this environmentally friendly form of surface transportation handled a combined total of over 1.1 billion¹ short tons of cargo, which is about 23 percent² of the ton-miles of all domestic surface transportation traffic. Domestic waterborne transportation contributes \$7.7 billion³ to the gross domestic product annually in the form of freight revenue.

In FY 2000, MARAD supported the national strategic goals by actively participating in the Marine Transportation System (MTS) initiative.

Marine Transportation System Initiative

MARAD and 11 other Federal agencies inaugurated a program to improve the marine portion of the national transportation system. The MTS initiative is a program to ensure a safe and environmentally sound world class marine transportation system that improves the global competitiveness and national security of the United States.

An Assessment of the U.S. Marine Transportation System

As the world's leading maritime and trading nation, the United States relies on an efficient and effective MTS to maintain its role as a global power. The MTS provides American businesses with competitive access to suppliers and markets in an increasingly global economy. The MTS transports people to work; provides them with recreation and vacation opportunities; puts food on their tables; and delivers many of the items they need in their professional and personal lives. Within the United States, the MTS provides a cost-effective means for moving

major bulk commodities, such as grain, coal, and petroleum. It is a key element of State and local government economic development and job-creation efforts and the source of profits for private companies. With its vast resources and access, the MTS is an essential element in maintaining economic competitiveness and national security.

The MTS provides economic value by affording efficient, effective, and dependable all-weather transportation for the movement of people and goods. Waterborne cargo alone contributes more than \$742 billion to U.S. gross domestic product and creates employment for more than 13 million citizens.

The MTS provides national security value by supporting the swift mobilization and sustainment of America's military. As an example, 90 percent of all equipment and supplies for Desert Storm were shipped from U.S. strategic ports using our inland and coastal waterways.

Implementation of MTS Recommendation

An Assessment of the U.S. Marine Transportation System was the culmination of 2 years of unprecedented dialogue between the public and private sector to address issues in the MTS. Three key recommendations of the report have been implemented.

In FY2000 the Marine Transportation System National Advisory Council (MTSNAC) was established by the Secretary of Transportation with MARAD as the designated sponsor. The MTSNAC consists of 30 representatives from non-Federal organizations. The primary purpose of the MTSNAC is to provide a coordinated approach for the non-Federal stakeholders to contribute to National issues and to advise the Secretary of Transportation on the needs of the MTS. MARAD managed the sponsor's responsibility to the MTSNAC, including two National Council meetings; Council requests such as the development of the MTSNAC website; and the administrative work of the Council such as sharing communication with the Council and bulletins on Council activities. The MTSNAC has identified public awareness as its top priority. In addition, it has established six Council teams: Awareness; Infrastructure; Safety and Environment; Information Technology and Research and Development; Human Resources; and Security.

- ◆ A new Interagency Committee for the Marine Transportation System (ICMTS) has been established. This Committee serves as the national coordinating body for all Federal agencies responsible for one or more aspects of the MTS to discuss strategies and ideas to improve our transportation system. To date 17 federal

¹U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center, 2000

²Transportation in America, Eno Transportation Foundation, 1998, pp. 11

³Transportation in America, Eno Transportation Foundation, 1998, pp. 40

agencies have signed a Memorandum of Understanding for the ICMTS. The ICMTS established six subcommittees to address the various MTS issues. They are security; safety and environmental protection; strategic planning; resources; research and development and technology application; and ferryboats.

- ◆ The establishment of regional/local coordinating structures. Seven regional MTS Dialog sessions were held throughout the United States during 2000 to help regional groups develop strategies for addressing regional maritime transportation issues. The sessions were attended by port directors, terminal operators, cargo and passenger vessel operators, shippers, pilots, and representative from Federal, state and local agencies. Local coordination groups were also organizing in ports throughout the country.

Significant Activities

- ◆ *Emergency Energy Conference.* MARAD organized an emergency energy transportation conference during the fuel shortage in mid-February 2000 to review the outlook for supply and demand for winter heating oil and spring gasoline. Approximately 30 tanker owners and brokers, and representatives of maritime labor, the American Petroleum Institute (API), Department of Energy (DOE), U.S. Coast Guard and Customs attended. Senior DOE staff were briefed on available capacity in the U.S.-flag tanker market. U.S.-flag tanker interests heard firsthand DOE's assessment and policy position.
- ◆ *Segregated Grain Shipments.* MARAD participated on the Identity Preserved Grain Transportation Task Force, a cooperative effort by USDA and DOT. It studied issues affecting American farmers' ability to market and ship their identity preserved products to overseas markets. MARAD advised the task force on maritime related issues.
- ◆ *Container On Barge Study.* MARAD initiated a cooperative agreement with the Port of Pittsburgh Commission to study the feasibility and marketability of a container-on-barge service between the Port of Pittsburgh, PA, and Monterrey, Mexico, via Brownsville, TX. The Port of Pittsburgh will organize and establish a Shippers Council in that city and with its international neighbor, Monterrey. Research will identify potential shippers in the Pittsburgh environs and shippers on the waterway corridor between it and Brownsville, for cargo moving via truck to Monterrey. Research also will identify shippers on the same water corridor for cargo moving to the Northeast.
- ◆ *Prototype Mooring Buoy II.* MARAD partially funded an innovative prototype mooring buoy for use above and below locks on the inland waterways. The prototype promises to improve environmental performance delivered to date by the traditional round buoys. The Agency, in coop-

eration with the Army Corps of Engineers, and the River Industry Action Committee, modified the original prototype-mooring buoy design to make it more stable and safer for deck crews.

The current plan, formulated in cooperation with the Missouri Department of Conservation will place the buoy below Lock 22 after the current 1-year test, near a bank over a mussel bed. The buoy will be in approximately 15 to 20 feet of water and will be moored to the bank with a floating anchor line. This will prevent the tows from pushing into the bank over this mussel bed while waiting for their turn to lock.

Technical Assistance

In addition to the MTS initiative, MARAD provided other technical and promotional assistance to the domestic shipping industry throughout FY 2000.

One far-reaching effort is market research to examine the development of a coastwise shipping system for the advancement of waterborne trade along our coasts to relieve congested highways.

The second phase of the multi-phase study, *High Speed Ferries and Coastwise Vessels: Evaluation of Parameters and Markets for Application*, was completed in June of 2000. It provided a framework for future research to improve coastwise trade.

The results of Phase II were presented in a public forum attended by more than 45 public and private stakeholders. Work on Phase III has begun, with active participation by domestic carriers, ports, shipbuilders and a number of federal agencies, including the Department's Federal Highway Administration and Bureau of Transportation Statistics. The goal is to demonstrate the feasibility and benefits of a robust coastal liner shipping system along the Nation's East, West and Gulf coasts for inter-city general cargo.

Rural Transportation Initiative

In May of 1999, the Secretary of Transportation announced the DOT's *Rural Transportation Initiative*. MARAD continues to be an active team member with other DOT agencies. The primary objective is to help ensure rural areas and small communities share in the mobility as well as the economic and social benefits that DOT programs provide.

During the reporting period, MARAD assisted DOT in developing a *Rural Program Guide* and a *Rural Program Directory* for State and local officials about federal programs assistance.

Jones Act

The Jones Act embodies America's coastwise cabotage laws, and other related acts. It requires that maritime cargoes and pas-

sengers moving between U.S. ports be transported in vessels built and maintained in the United States, owned by American citizens, and crewed by U.S. mariners.

MARAD provides assistance to shippers in need of qualified, U.S.-flag vessels. Typically, and throughout the year, shippers call the Agency officials when there is a question concerning the applicability of the Jones Act, or if they need assistance locating a qualified vessel to meet their transportation needs. The Agency responds to questions and provides possible shipping sources to help resolve their domestic transportation problems. MARAD is required to respond within 48 hours to formal Jones Act waiver requests.

As a result of a Jones Act waiver for the salvage of a vessel blocking the entrance to San Juan harbor, MARAD's staff met with the U.S. Coast Guard's Office of Response to develop procedures for cooperative efforts to locate suitable U.S.-flag tonnage in emergency situations. MARAD provided draft language to the Coast Guard regarding the use of U.S.-flag vessels for their inclusion in field staff emergency response checklists and a list of 24-hour MARAD domestic shipping contacts which were included in the Coast Guard's list.

Assistance for Shippers

During FY 2000, MARAD responded to several requests for assistance in complying with U.S. cabotage laws:

- ◆ *Movement of explosives from Guam to U.S. Gulf Coast.* MARAD assisted a shipper in locating suitable U.S.-flag tonnage for this move.
- ◆ *Heating oil from U.S. Gulf to New York.* MARAD assisted a large oil shipper in locating U.S.-flag tanker space to transport 30,000 tons of urgently needed heating oil from the Gulf to the North East.
- ◆ *Lifting of the Hunley.* MARAD worked with The Friends of the Hunley to identify potential U.S.-flag crane barges to lift the H.L. Hunley, a Civil War-era Confederate submarine sunk off the coast of Charleston, S.C. in 1864.

Small Passenger Vessel Waiver Authority

Public Law 105-383 gave the Maritime Administration authority to establish a process to waive administratively the U.S.-build requirements of the Jones Act for certain small passenger vessels. Specifically, Title V authorizes the Secretary of Transportation to waive the domestic build requirements for foreign built or rebuilt small passenger vessels authorized to carry no more than 12 passengers.

In order to grant such waivers, the Secretary must determine that employment of the vessel in the coastwise trade will not adversely affect U.S. vessel builders or the coastwise trade business of any person who employs vessels built in the United States.

MARAD has established an in-house administrative process for the review and approval of waiver applications that has improved the ability of the Federal Government to respond to the needs of many small passenger vessel operators. During FY00 the Agency received 30 applications and granted 23 waivers.

Industry Trends and Profile

There are three major sectors of U.S. domestic shipping: the inland waterways, the domestic deep-sea trades, and the Great Lakes. The major products moving in the domestic trade are crude petroleum, raw materials, coal, chemicals and farm products. Traditional liner cargoes and manufactured products, move between the contiguous 48 states and Alaska, Hawaii, and Puerto Rico.

INLAND WATERWAYS

The U.S. inland waterway system comprises some 12,000 miles of commercially navigable channels that handle over 60 percent of our Nation's grain exports, 25 percent of chemical and petroleum movements, and over 20 percent of domestic coal shipments. Approximately 82 percent of the corn, 77 percent of the soybeans, and 32 percent of the wheat grown in the United States are produced in the 10 Midwestern states that rely greatly on barge transportation.

One-third of the plants that manufacture chemicals and related products are located in areas with easy access to barge transportation. Coal-fired power plants that are served by barge generate approximately 75 percent of the Nation's total electric power.

Inland waterways are a vital part of the Nation's transportation infrastructure. They enhance international trade by minimizing shipping costs for bulk commodities and general cargo. Twenty of the 50 largest metropolitan areas are located on the inland waterways. Approximately 15 percent of the Nation's commercial traffic moves between cities on the inland waterways.

In 1999, 647 million metric tons of cargo moved on the U.S. inland waterways including intraport shipments. The primary commodities were petroleum (27 percent), coal (26 percent), crude materials (20 percent) and farm products (13 percent). In terms of ton-miles (demand for transport services), farm products accounted for 28 percent of inland waterways traffic in 1998. The average haul of farm products was 978 miles, compared to 337 miles for all other inland shipments.

As of July 2000, the inland waterway fleet included 2,819 tank barges with a total capacity of 6.5 million metric tons. About 70 percent of these have double hulls. The Oil Pollution Act of 1990 prohibits the single-hull segment of the fleet from operating in U.S. navigable waters after year 2015.

Inland tank barge capacity did not change significantly in the 1990s, new barges generally replaced older vessels. The average capacity of tank barges added to the fleet from 1993 to 1998 was about 40 percent larger than those removed from the fleet over the same period.

As of July 2000, there were approximately 21,000 dry cargo barges with a total capacity of 34 million metric tons available for operation on the inland waterways. In the late 1990s, growth of inland dry cargo barge capacity was significantly above the growth in dry cargo traffic, thereby contributing to a decline in freight rates.

Upper Mississippi River / Illinois Waterway Navigation Study

The future of the navigation infrastructure on the Upper Mississippi River and Illinois Waterway is the subject of an ongoing Navigation Study being prepared by Army Corps of Engineers. As the Study nears completion, a heated debate has arisen among supporters of commercial navigation, shippers, farmers, and environmental groups. Members of Congress have stressed the importance of completing the study in a timely fashion. MARAD has been a consistent advocate for the timely modernization of the navigation infrastructure.

DEEP-SEA TRADES

The major segments of the domestic deep-sea trade are the *contiguous* and *noncontiguous* trades. The major *noncontiguous* trades are between the mainland and Alaska, Hawaii, Puerto Rico, Guam, and the islands of Wake and Midway. The *contiguous* routes consist of the coastwise trade traffic along the Atlantic, Gulf, and Pacific Coasts.

Of the 229 million short tons moved in domestic deep-sea trade in 1999, petroleum products accounted for 48 percent, crude petroleum accounted for 22 percent, crude materials accounted for 7 percent, chemicals accounted for 6 percent, coal accounted for 6 percent, manufactured products which move primarily in noncontiguous trades accounted for 6 percent, and food products accounted for the remainder.

On July 1, 1999, the fleets serving U.S. domestic ocean trades included 85 dry cargo vessels (0.7 million capacity tons.), 97 tankers (5.8 million cap. tons), 537 dry cargo barges (1.5 million cap. tons) and 477 tank barges (3.6 million cap. tons). (See Table 10). Self-propelled vessels are generally preferred in long-haul, time sensitive trades because they are faster than tug/barge units (15-20 knots versus 8-12 knots) and are not as likely as barges to get weatherbound.

Offshore Oil Support

The trend of oil exploration and production moving further from shore into deeper waters continues, requiring larger support

vessels. The growth in deepwater activity remains based on Royalty Relief Act benefits, and continued high oil prices. The Royalty Relief Act offers a suspension of royalty for a volume, or period of production, for exploration and drilling in water depths exceeding 200 meters or more.

During the year plans were being formed for Floating Production Storage and Offload (FPSO) ships to be stationed in the U.S. Gulf. The Minerals Management Service of Department of Interior was producing an Environmental Impact Statement which is expected to rank shuttle tankers as equivalent environmentally to pipelines. Several shipowners are discussing options for shuttle tankers, including articulated tug-barge combinations. The Louisiana Offshore Oil Port (LOOP) is considering opening a second terminal as an FPSO offload terminal.

The count of Offshore Supply Vessels in the U.S. Gulf as of September 30, 2000, was 367.

Ferry Services

Section 1207(c) of the Transportation Equity Act for the 21st Century called on the Secretary of Transportation to conduct a study of ferry transportation in the United States and its possessions. The study includes data on existing ferry services in the United States, regulatory, financial and market related issues facing existing /potential ferry services.

MARAD led a DOT-wide working group, which consisted of representatives from MARAD, USCG, FHWA, and FTA. that addressed several ferry-related issues, and assisted in planning for MARAD's June 2000 Ferry Conference in Seattle. One of the outcomes of the Ferry Conference in Seattle was the creation of a permanent inter-agency committee under MTS.

GREAT LAKES

Maritime Transportation System (MTS)

MARAD planned and hosted the first of seven MTS Regional Dialogue sessions held across the country. The Chicago-held session provided stakeholders an opportunity for regional marine-associated groups to identify issues for coordination at the regional level, brought together shippers, cargo and vessel operators, port and terminal operators, and representatives of federal, state, and local governments. Major issues identified at this meeting included the need for infrastructure improvements, ship ballast water management and regulations, and system-wide planning as the primary regional priorities for coordination. As a tie in to the MTS initiative, the idea of a regional vision to incorporate binational needs with Canada drew universal support.

Since its inception in 1999 the Great Lakes Regional Maritime Management Forum expanded its focus with additional sub-committees to identify and resolve waterways issues on the Great Lakes. MARAD participates as a member of the Forum

and in subcommittees that discuss potential use of Automated Informational Systems within the Great Lakes/ Seaway system, the development of a real-time internet site, and analyzation of recreational/ commercial maritime conflicts. In an outreach effort, the Canadian-U.S. members of the Forum have released a booklet entitled, "The Great Lakes, A Waterways Management Challenge." This publication was widely distributed to private and public groups throughout the region.

Iron ore, coal, and limestone continue as the principal bulk materials hauled by the U.S. Great Lakes fleet during the 10-month season. Filling out the majority of the remainder of Lakes' traffic is cement, salt, sand, grain, and liquid-bulk commodities. Most of this movement is labeled Jones Act trade, since it moves primarily from one U.S. port to another. The Lake Carriers Association claims that total traffic has amounted to more than 125 million tons in the past several years.

The majority of the domestic fleet have self-unloading systems and are capable of discharging cargo without any assistance from dockside personnel. The 13 vessels in the 1,000-foot range can unload at a rate of 65,000 tons of iron ore or coal in 10 hours or less. In recent years, the domestic fleet has been augmented by new or refurbished tug/barge units, of which the barges are as long as 740 feet.

Significant current developments include anticipated replacement of two locks at Sault Sainte Marie, MI, by a new lock to match the size of the largest Poe Lock. This would reduce dependence on the only lock capable of handling the largest 1,000-foot vessels. Also, replacement of the aging Coast Guard Cutter Mackinaw has congressional approval and the Mackinaw is expected to remain in service till completion of an equivalent icebreaking unit in 2006. Other issues hotly debated include the question of state, regional, federal, or international jurisdiction of ballast water exchange in the Great Lakes.

A Great Lakes look to the future is being pursued on both the Canadian and U.S. sides of the lakes. A two-year, \$1 million Great Lakes Navigation System study will examine where improvements and repairs to infrastructure, such as locks and channels, are necessary to ensure the viability of the navigation system. Also independent studies by the Canadian and U.S. Seaway management are analyzing lock deepening, a constantly updated Internet site for marine operations, and an automatic identification system for vessels.

Maritime Promotion

MARAD produced two reports related to the Jones Act and mariner employment. "U.S.-Flag/Seaway-Size Vessels, Domestic Great Lakes to Saltwater Ports Cargo Trade" lists vessels capable of domestic water transport between Great Lakes and East and Gulf ports. It catalogues pertinent specifications of suitable vessels and provides contact information on their operators/owners. A fact sheet entitled, "U.S. Great Lakes Merchant Seaman Employment," provides hiring information for mariners.

MARAD continues to serve as a member of the Great Lakes Dredging Team (GLDT), a partnership of federal and state agencies. Facilitation of the resolution of dredging issues common to the Great Lakes region among the participating Local, State, Tribal and Federal agencies is one of the planks of the charter and work plan of the semi-annual meetings. A Public Outreach Workgroup added to its outreach products that includes a local advocate speakers list, expanded information on the GLDT web site, an educational booklet on dredging benefits, and port dredging case studies.

To facilitate maritime commerce, safety, and awareness, MARAD participates in numerous regional forums.

Environmental Issues

Another major issue for Great Lakes shipping is the effect of invasive species. Invasive species, with regard to the Lakes, refers to the unwanted pests that originate in foreign waters and are brought to inland lakes from ballast water discharged before loading cargo.

Invasive species have troubled the lakes for years. This year the International Joint Commission on the Great Lakes held a Water Quality Forum in Milwaukee. As part of that forum, there was a 1-day workshop on exotic species. Carriers are focusing on ship design, ship systems, shipping economics, and ship operations to address areas of major concern.

MARAD is committed to assisting in preventing the introduction and spread of non-indigenous species. The U.S. lake carriers have instituted voluntary ballast exchange programs for their ships and moved forward on their own with a \$1.7 million Ballast Technology Demonstration Project. These measures are expected to enhance controlling the invasive species problem.



CHAPTER 5

Ship Operations

U.S.-Flag Fleet Profile

MARAD's new format for presentation of U.S.-flag fleet statistics reflects the true size and diversity of the fleet (see Tables 10 and 11). The cargo-carrying U.S.-flag fleet totaled 29,446 vessels with an aggregate carrying capacity of about 71 million metric tons. The commercial fleet, operating in both foreign and domestic commercial trades during the first half of calendar year 2000, increased by 369 vessels compared to the first six months of 1999, predominantly in the non-self-propelled vessels of less than 1,000 gross ton categories.

The foreign trade segment of the fleet was comprised of 421 vessels of 8 million metric tons, while the domestic trade segment included 28,842 vessels of 59 million metric tons. Dry bulk carriers and tankers accounted for 86 percent of the fleet's capacity. Vessels over 1,000 gross tons totaled 2,825, with a total capacity of 27.6 million metric tons. The Government-owned segment was comprised of 183 vessels of 3.6 million metric tons. (See Table 10.)

The remainder of the U.S.-flag fleet as of July 1, 2000 was comprised of passenger vessels (1,265), tugs/towboats (5,451) and other workboats (1,517). (See Table 11.)

The total U.S.-flag oceangoing merchant fleet ranked 10th in the world on a deadweight ton basis and 18th in the total number of ships. (See Table 12.)

Total U.S. waterborne commerce amounted to 2.1 billion metric tons in 1999, split about evenly between domestic and international cargo (see Table 13). The international portion, valued at \$672 billion, increased 1 percent from CY 1998.

The waterborne movement of domestic cargoes, which amounted to 964 million tons, declined 3 percent from CY 1998. U.S.-Flag ships carried 1 billion tons of cargo in 1999, or 47 percent of the nation's total waterborne commerce. During calendar year 1999, there was a significant increase in the amount of cargo carried by U.S.-flag ships engaged in foreign trade, up 24 percent from the previous year. This increase can be attributed almost exclusively to increased carriage of grain subject to the cargo preference laws in U.S. flag tankers.

Operating-Differential Subsidy

Only three active operating differential subsidy (ODS) contracts remained in force at the end of FY2000. All will expire during FY2001. Designed to offset certain lower ship operating costs of foreign-flag competitors, ODS is paid to U.S.-flag vessels which operate under an ODS contract in an essential foreign trade. The Maritime Security Program (MSP) has replaced ODS

as the primary support for the U.S.-flag merchant marine. Net subsidy outlays during FY 2000 amounted to \$10 million. There were no subsidized voyages terminated in the Great Lakes trade during FY 2000.

ODS accruals and expenditure from January 1, 1937, through September 30, 2000, are summarized in Table 14. Accruals and outlays by shipping lines for the same period are shown in Table 15. ODS contracts in force are shown in Table 16.

Subsidy Rates

The Subsidy Index System, established by the Merchant Marine Act of 1970, provides for payment of seafaring wage subsidies under ODS contracts in per diem amounts. The rate of change in the index is computed annually from data provided by the Bureau of Labor Statistics and is used as the measure of change in seafaring employment costs. ODS rates also are calculated for maintenance and repairs, hull and machinery insurance, and protection and indemnity insurance for both premiums, and deductibles. ODS is paid monthly for completed voyages based on tentative rates. Final rates are calculated following completion of each rate year (RY) after collection of the contractors' actual cost and voyage data. MARAD has completed the RY 2001 (July 1, 2000 - June 30, 2001) tentative rates and has substantially completed RY 1999 final ODS rates applicable to liner and bulk vessel operations.

Section 804 Activities

Section 5 of the Maritime Security Act of 1996 (MSA) provides an amendment to section 804 of the Merchant Marine Act, 1936, as amended (1936 Act) by adding section (f). Section 804 (f)(1), (3), (4), and (5) allow an operator, with either the traditional ODS contract or the new MSP Operating Agreement, or any holding company, subsidiary or affiliate of the contractor:

- ◆ to own, charter, or operate any foreign-flag vessel on a voyage that does not call at a port in the United States, to own, charter, or operate any foreign-flag bulk cargo vessels,
- ◆ to charter or operate foreign-flag vessels that are operated solely as replacement vessels for U.S.-flag vessels that are made available pursuant to section 653 of the 1936 Act, and
- ◆ to enter into time or space charters or other cooperative agreements with respect to foreign-flag vessels.

Approval is no longer required for any of these operations.

Section 804 (f)(2)(A) provides that MSP operators are "grandfathered" for any foreign-flag vessels in line-haul service between the United States and foreign ports which are owned, chartered, or operated by such operator or any holding company, subsidiary, affiliate or associate of such owner or operator on the date of enactment of the MSA. The MSP operator can replace these vessels in the future without requiring a section 804 waiver.

The amendment to section 804 of the 1936 Act applies to the ODS operators on the earlier of the date an MSP payment is made to any contractor that is not an ODS operator or the date the particular ODS operator enters into an MSP Operating Agreement.

Foreign Transfers

Under Section 9 of the Shipping Act of 1916, as amended, MARAD approved the transfer of 41 ships of 1,000 gross tons and over to foreign ownership and/or registry. Thirteen privately owned vessels were sold for scrapping abroad. Permission also was granted for one vessel of less than 1,000 gross tons to be registered in Russia.

MARAD's approval of the transfer of vessels 3,000 gross tons and over to foreign ownership and/or registry are subject to the terms and conditions of 46 CFR Part 221. As such, the vessels require MARAD approval for any subsequent transfer of ownership and/or registry and are required to remain available for U.S. Government requisitioning, if needed. At year's end, there were a total of 178 vessels subject to these terms, 31 of which were approved for subsequent transfer of ownership and/or registry during the year.

User charges for processing applications for foreign transfers and similar actions totaled \$18,245 in this reporting period, including fees filed pursuant to contracts reflecting the terms and conditions stipulated in 46 CFR Part 221.

Activities under Section 9 of the Shipping Act, 1916, as amended, are summarized in Table 17.

Ship Operations Cooperative Program

The Ship Operations Cooperative Program (SOCP) is a cost-shared government/industry/labor partnership. Its objective is to improve competitiveness, ship safety, productivity, profitability, training, environmental responsiveness, and quality of ship operations. There are over 40 members, including commercial ship owners/operators, government organizations, educational institutions, labor organizations, researchers, classification societies, and others.

Projects undertaken by the SOCP exemplify partnership at its best. The Ship Operations Cooperative Program conducts initiatives in four primary areas:

◆ *Industry Improvement Projects*

Industry Improvement Projects involve projects that SOCP takes on for the betterment of the U.S. maritime industry. These are projects having the potential to improve efficiency, training, reliability, and safety within the maritime industry.

◆ *Facilitation of Dialogue on Industry Issues*

This area addresses issues facing SOCP membership and the maritime industry. SOCP facilitates dialogue between its members and organizations having the ability to address and effect change regarding issues of concern. Issues can cover regulations, safety, profitability, competitiveness, the environment and other topics that membership deems important to address.

◆ *Product/Technology Testing and Evaluation*

In this area, SOCP members test and evaluate new products and technologies that are of interest and may have applications within their operations to improve efficiency, productivity, safety, training and reliability. Members choose the products and technologies to be tested and evaluated. In addition, members volunteer to use the products and technologies on their vessels and within their organizations for a designated trial period. Feedback and evaluations from the testing are shared with the SOCP membership so they can determine potential applications within their organizations.

◆ *SOCP Product Development*

SOCP develops products that its members can obtain at a reduced cost and that are sold to non-members. SOCP members determine the products that would be most valuable to them and assist in their development and production. Revenue generated by SOCP product sales comes back to SOCP and is used in SOCP programs as member's see fit.

Selected projects are those expressed by SOCP members as having highest priority and value to the membership. In addition, the projects are developed and led by the SOCP members. SOCP projects serve to improve the competitiveness and operations of its members in the maritime industry.

With the implementation of the 1995 Amendments to the International Convention on the Standards of Training, Certification, and Watchkeeping (STCW), SOCP has focused sharply on helping members to understand and meet STCW requirements. It is engaged in a number of projects that assist member organizations in complying with the 1995 revisions. Projects have included the production of training videos, use of non-traditional training methods, evaluation of PC-based training simulators, and the development of a training resources database. Moreover, SOCP's desire to work collaboratively on major STCW initiatives brought about its offer to assist the U.S. Coast Guard and the Merchant Vessel Personnel Advisory Committee on solutions to other STCW implementation issues.

SOCP has been involved in testing Alternate Watch Schedules (AWS), and the potential for diminished performance based on the traditional three-watch schedule. An SOCP member company volunteered its ship, and the Master and three deck officers to

test AWS. At the conclusion of the test period, AWS benefits were identified and the participating company expressed a desire to continue using the system. Additionally, SOCP members have actively participated in a number of DOT conferences as they relate to safety, i.e., "Partnering for Transportation Safety: Operator Fatigue Management" and the "National Transportation Safety Conference."

Currently, SOCP is looking at mariner recruitment and retention issues and is developing material to inform people about the maritime industry and its opportunities. It is compiling training video booklets to accompany previously released training videos.

In addition SOCP has established a working group to evaluate the use of smart cards in the maritime industry and develop the

concept for a demonstration project. Smart cards have the potential for being an electronic repository device for mariner information and documentation on a credit-card sized medium to improve efficiency and security. SOCP is also exploring the use of mobile computing technologies such as a port engineer's palm pilot. SOCP has formed working groups to facilitate dialog among members and other maritime organizations to address industry concerns on ballast water management and drug testing issues, and has commenced a project to test bunker fuels in various ports around the United States for quality.

During the course of the next year SOCP members are planning to evaluate new and innovative technologies such as forward looking sonar and voyage data recorders designed to improve the safety of ship operations.

Table 9: CARGO-CARRYING U.S.-FLAG FLEET BY AREA OF OPERATION
JANUARY—JUNE 2000
 (Carrying Capacity Expressed in Thousands of Metric Tons)

Area of Operations	Liquid Carriers		Dry Bulk Carriers		Containerships		Other Freighters*		Total Fleet	
	No.	Tons	No.	Tns	No.	Tons	No.	Tons	No.	Tons
Foreign Trade	79	2,457	235	2,124	61	2,368	46	1,072	421	8,021
Self-propelled	31	1,952	10	477	61	2,368	45	1,052	147	5,849
>=1,000 Gross Tons	31	1,952	10	477	61	2,368	45	1,052	147	5,849
< 1,000 Gross Tons	0	0	0	0	0	0	0	0	0	0
Non-self-propelled**	48	505	225	1,647	0	0	1	20	274	2,172
>=1,000 Gross Tons	42	498	145	1,419	0	0	1	20	188	1,937
< 1,000 Gross Tons	6	7	80	228	0	0	0	0	86	235
Domestic Trade	3,437	16,393	21,435	37,186	50	757	3,920	4,621	28,842	58,957
Coastal (including non-contiguous)	599	9,779	448	1,596	50	757	1,435	1,658	2,532	13,790
Self-propelled	102	6,075	1	33	24	596	66	162	193	6,866
>=1,000 Gross Tons	84	6,063	1	33	24	596	10	143	119	6,835
< 1,000 Gross Tons	18	12	0	0	0	0	56	19	74	31
Non-self-propelled**	497	3,704	447	1,563	26	161	1,369	1,496	2,339	6,924
>=1,000 Gross Tons	410	3,603	158	1,152	26	161	149	818	743	5,734
< 1,000 Gross Tons	87	101	289	411	0	0	1,220	678	1,596	1,190
Internal Waterways	2,819	6,522	20,912	33,511	0	0	2,397	2,800	26,128	42,833
Self-propelled	0	0	0	0	0	0	26	18	26	18
>=1,000 Gross Tons	0	0	0	0	0	0	0	0	0	0
< 1,000 Gross Tons	0	0	0	0	0	0	26	18	26	18
Non-self-propelled	2,819	6,522	20,912	33,511	0	0	2,371	2,782	26,102	42,815
>=1,000 Gross Tons	1,263	4,129	215	599	0	0	72	254	1,550	4,982
< 1,000 Gross Tons	1,556	2,393	20,697	32,912	0	0	2,299	2,528	24,552	37,833
Great Lakes	19	92	75	2,079	0	0	88	163	182	2,334
Self-propelled	4	20	53	1,873	0	0	4	21	61	1,914
>=1,000 Gross Tons	2	19	50	1,871	0	0	1	21	53	1,911
< 1,000 Gross Tons	2	1	3	2	0	0	3	0	8	3
Non-self-propelled	15	72	22	206	0	0	84	142	121	420
>=1,000 Gross Tons	14	70	7	186	0	0	4	26	25	282
< 1,000 Gross Tons	1	2	15	20	0	0	80	116	96	138
TOTAL Commercial Fleet***	3,516	18,850	21,670	39,310	111	3,125	3,966	5,693	29,263	66,978
National Defense Reserve Fleet^	28	884	0	0	5	86	143	2,423	176	3,393
Ready Reserve Force (RRF)	9	268	0	0	3	50	77	1,539	89	1,857
Other Reserve	19	616	0	0	2	36	66	884	87	1,536
Other Government	0	0	0	0	0	0	7	237	7	237
Sealift Vessels	0	0	0	0	0	0	7	237	7	237
GRAND TOTAL	3,544	19,734	21,670	39,310	116	3,211	4,116	8,353	29,446	70,608

* Includes General Cargo, Ro-Ro, Multi-purpose, LASH vessels, and Deck Barges, Excludes Offshore Supply Vessels.

** Integrated Tug Barges of 1,000 grt & greater are contained in non-self-propelled categories as follows: Foreign Trade—2 liquid (78,300 tons), 2 dry bulk (48,100 tons), 1 other freighter (20,000); Domestic Coastal—9 liquid (371,155 tons), 1 dry bulk (21,500 tons); Great Lakes—2 liquid (18,955), 7 dry bulk (192,700); Translakes—1 dry bulk (5,400).

*** Excludes one passenger vessel of 7,250 Dwt operated in non-contiguous domestic trade.

^ Self-propelled vessel=>1,000 Gross Tons; excludes ten passenger vessels of 91,701 Dwt.

SOURCE: U.S. Maritime Administration, Office of Statistical and Economic Analysis; adapted from U.S. Army Corps of Engineers, U.S. Coast Guard and U.S. Customs Service data.

**Table 10: U.S. -FLAG FLEET OF PASSENGER VESSELS, TUGS/TOWBOATS,
AND OTHER WORK BOATS*
AS OF JULY 1, 2000**

<i>Type of Vessel</i>	<i>No.</i>	<i>Capacity Unit</i>
Passenger Vessels		Passengers
< 150 Passenger Capacity	753	51,774
>= 150 Passenger Capacity	512	316,290
Total	1,265	368,064
Tugs/Towboats		Horsepower
< 1,500 Horsepower	3,340	2,464,621
>= 1,500 Horsepower	2,111	7,273,218
Total	5,451	9,737,839
Other Work Boats**		Metric Tons
< 1,000 Tons Capacity	1,404	273,876
>= 1,000 Tons Capacity	113	83,508
Total	1,517	357,384

* Inventory Data

** Includes Crewboats, Supply, and Utility Vessels.

SOURCE: U.S. Maritime Administration, Office of Statistical and Economic Analysis; adapted from U.S. Army Corps of Engineers and U.S. Coast Guard data.

Table 11: MAJOR MERCHANT FLEETS OF THE WORLD-OCTOBER 1, 2000¹*(Tonnage in Thousands)*

<i>Country</i>	<i>Deadweight Tons</i>	<i>Rank by Deadweight</i>	<i>No. of Ships²</i>	<i>Rank by No. of Ships</i>
Panama	165,028	1	4,615	1
Liberia	77,242	2	1,480	2
Malta	45,870	3	1,407	5
Bahamas	45,107	4	1,023	7
Greece	43,204	5	696	10
Cyprus	36,199	6	1,310	6
Singapore	34,531	7	888	8
Norway(NIS)	27,755	8	661	11
China	22,052	9	1,439	4
United States*	16,137	10	461	18
Japan	15,751	11	623	12
Hong Kong	15,470	12	322	26
Marshall Islands	14,363	13	179	34
India	10,445	14	295	27
Philippines	9,718	15	458	19
Top 15 Total	578,871		15,857	
All Other	192,023		12,230	
Grand Total	770,894		28,087	

¹Oceangoing self-propelled vessels of 1,000 gross tons and over.

*Includes 186 United States Government-owned ships of 3.5 million dwt.

SOURCE: Lloyd's Maritime Information Services

Table 12: U.S. WATERBORNE COMMERCE
(Million Metric Tons)

<i>Calendar Year</i>	<i>1980</i>	<i>1990</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
Total U.S. Foreign Oceanborne*	784.5	867.6	971.3	988.1	1,066.7	1,088.9	1,110.6
U.S.-Flag Tons	28.6	35.2	32.5	27.6	29.1	27.9	34.5
Total Liner Service	60.1	97.9	137.1	124.7	120.8	120.4	142.7
U.S.-Flag Tons	16.4	17.1	16.1	11.0	10.9	12.8	12.6
Total Non-Liner Service	362.4	384.5	408.6	389.8	413.9	404.9	377.8
U.S.-Flag Tons	4.2	7.1	8.8	6.4	10.0	7.1	8.8
Total Tanker Service	362	385.2	425.6	473.6	532.0	563.6	590.1
U.S.-Flag Tons	8.0	11.0	7.6	10.2	8.2	8.0	13.2
Total Trans-Great Lakes	31.6	26.8	27.7	31.7	36.1	39.0	37.6
U.S.-Flag Tons	3.1	0.8	2.6	2.4	3.3	3.4	1.7
Total U.S. Foreign Waterborne*	816.1	894.4	999.0	1,020.0	1,102.8	1,127.9	1,148.2
U.S.-Flag Tons	31.8	36.0	35.1	30.0	32.4	31.3	36.2
Total U.S. Domestic Waterborne**	977.7	1,018.4	991.8	998.8	1,009.5	992.8	963.5
Great Lakes	104.4	100.0	105.3	104.3	111.4	110.8	103.4
Inland Waterways	571.0	643.3	638.3	645.3	653.6	648.9	647.1
Coastal & Non-Contiguous	302.3	275.1	248.2	249.3	244.5	233.0	213.0
Total U.S. Waterborne Commerce	1,793.9	1,912.8	1,990.8	2,018.8	2,112.3	2,120.7	2,111.7
U.S.-Flag % of Waterborne Commerce	56.3	55.1	51.6	51.0	49.3	48.3	47.3

* Includes intransit cargo

** 100 percent U.S. Flag

SOURCE: U.S. Maritime Administration; Waterborne Databank

**Table 13: ODS ACCRUALS AND OUTLAYS—JANUARY 1, 1937,
TO SEPTEMBER 30, 2000**

<i>Calendar Year of Operation</i>	<i>Accruals</i>			<i>Outlays</i>		
	<i>Subsidies</i>	<i>Recapture</i>	<i>Subsidy Accrual</i>	<i>Paid in FY 1998</i>	<i>Total Amount of Net Accrued Paid</i>	<i>Net Accrual Liability</i>
1937-1955	\$682,457,954	\$157,632,946	\$524,825,008	\$-0-	\$524,825,008	\$-0-
1956-1960	751,430,098	63,755,409	687,674,689	-0-	687,674,689	-0-
1961	170,884,261	2,042,748	168,841,513	-0-	168,841,513	-0-
1962	179,396,797	4,929,404	174,467,393	-0-	174,467,393	-0-
1963	189,119,876	(1,415,917)	190,535,793	-0-	190,535,793	-0-
1964	220,334,818	674,506	219,660,312	-0-	219,660,312	-0-
1965	183,913,236	1,014,005	182,899,231	-0-	182,899,231	-0-
1966	202,734,069	3,229,471	199,504,598	-0-	199,504,598	-0-
1967	220,579,702	5,162,831	215,416,871	-0-	215,416,871	-0-
1968	222,862,970	3,673,790	219,189,180	-0-	219,189,180	-0-
1969	230,256,091	2,217,144	228,038,947	-0-	228,038,947	-0-
1970	232,541,169	(1,908,643)	234,449,812	-0-	234,449,812	-0-
1971	202,440,101	(2,821,259)	205,261,360	-0-	205,261,360	-0-
1972	190,732,158	-0-	190,732,158	-0-	190,732,158	-0-
1973	219,475,963	-0-	219,475,963	-0-	219,475,963	-0-
1974	219,297,428	-0-	219,297,428	-0-	219,297,428	-0-
1975	260,676,152	-0-	260,676,152	-0-	260,676,152	-0-
1976	275,267,465	-0-	275,267,465	-0-	275,267,465	-0-
1977	294,779,691	-0-	294,779,691	-0-	294,779,691	-0-
1978	285,075,424	-0-	285,075,424	-0-	285,075,424	-0-
1979	279,347,897	-0-	279,347,897	-0-	279,347,897	-0-
1980	386,309,467	-0-	386,309,467	-0-	386,309,467	-0-
1981	351,675,849	-0-	351,675,849	-0-	351,675,849	-0-
1982	366,654,502	-0-	366,654,502	-0-	366,654,502	-0-
1983	278,716,168	-0-	278,716,168	-0-	278,716,168	-0-
1984	342,756,506	-0-	352,756,628	-0-	342,756,628	-0-
1985	367,368,710	-0-	367,368,710	-0-	367,368,710	-0-
1986	317,963,824	-0-	317,963,824	-0-	317,963,824	-0-
1987	183,188,408	-0-	183,188,408	-0-	183,188,408	-0-
1988	219,079,931	-0-	219,079,931	-0-	219,079,931	-0-
1989	221,564,961	-0-	221,564,961	-0-	221,564,961	-0-
1990	231,208,232	-0-	231,208,232	-0-	231,208,232	-0-
1991	216,365,214	-0-	216,365,214	-0-	216,365,214	-0-
1992	213,129,380	-0-	213,129,380	-0-	213,129,380	-0-
1993	214,105,066	-0-	214,105,066	-0-	214,105,066	-0-
1994	213,716,552	-0-	213,716,552	-0-	213,716,552	-0-
1995	197,851,660	-0-	197,851,660	-0-	197,851,660	-0-
1996	178,559,375	-0-	178,559,375	-0-	178,559,375	-0-
1997	111,846,920	-0-	111,846,920	-0-	111,846,920	-0-
1998	27,183,866	-0-	27,183,866	-0-	27,183,866	-0-
1999	27,582,371	-0-	27,582,371	5,104,061	15,150,073	22,478,310
2000	17,419,923	-0-	17,419,923	4,894,604	4,894,604	12,525,319
Total Regular ODS	\$10,407,896,340	\$238,186,435	\$10,169,709,905	\$9,998,665	\$10,134,706,275	\$35,003,624
Soviet Grain Program¹	\$147,132,626	\$-0-	\$147,132,626	\$-0-	\$147,132,626	-0-
Total ODS	\$10,555,028,966	\$238,186,435	\$10,316,842,531	\$9,998,665	\$10,228,183,901	\$35,003,624

¹No longer operative.

**Table 14: ODS ACCRUALS AND OUTLAYS BY SHIPPING LINES—JANUARY 1, 1937,
TO SEPTEMBER 30, 2000**

<i>Net Accrued Liability</i>	<i>Accruals</i>		<i>Outlays</i>		
	<i>LINES</i>	<i>ODS</i>	<i>Recapture</i>	<i>Net Accrual</i>	<i>ODS Paid</i>
Aeron Marine Shipping	\$26,079,663	\$0	\$26,079,663	\$26,079,663	\$0
American Banner Lines ¹	2,626,512	0	2,626,512	2,626,512	0
American Diamond Lines ¹	185,802	28,492	157,310	157,310	0
American Export Lines, Ltd. ²	693,821,868	10,700,587	683,121,281	683,121,281	0
American Mail Lines ³	158,340,739	7,424,902	150,915,837	150,915,837	0
American Maritime Transport	10,813,074	0	10,813,074	10,813,074	0
American President Lines ³	1,786,443,341	17,676,493	1,768,766,848	1,765,329,763	3,437,085
American Shipping Co.	21,220,420	0	21,220,420	21,220,420	0
American Steamship Co.	76,462	0	76,462	76,462	0
Aquarius Marine Co.	55,288,862	0	54,288,862	54,288,862	0
Aries Marine Shipping	25,291,415	0	25,291,415	25,291,415	0
Asco-Falcon II	587,268	0	587,268	587,268	0
Atlantic & Caribbean S/N ¹	63,209	45,496	17,713	17,713	0
Atlas Marine Co.	62,479,364	0	62,479,364	62,479,364	0
Baltimore Steamship ¹	416,269	0	416,269	416,269	0
Bloomfield Steamship ¹	15,588,085	2,613,688	12,974,397	12,974,397	0
Brookville Shipping, Inc.	14,253,827	0	14,253,827	6,143,827	8,110,000
Chestnut Shipping Co.	96,155,310	0	96,155,310	95,818,809	336,501
Delta Steamship Lines	575,053,817	8,185,313	566,868,504	566,868,504	0
Ecological Shipping Co.	4,968,943	0	4,968,943	4,968,943	0
Equity Carriers, Inc.	1,497,110	0	1,497,110	1,497,110	0
Farrell Lines Incorporated	775,557,614	1,855,375	773,702,301	771,485,070	2,217,231
First American Bulk Carriers Corp.	58,275,541	0	58,275,541	55,049,028	3,226,513
Gulf & South American Steamship	34,471,780	5,226,214	29,245,566	29,245,566	0
Lachmar	17,992,623	0	17,992,623	16,148,899	1,848,724
Lykes Bros. Steamship Co., Inc.	2,192,182,207	52,050,598	2,168,414,624	2,136,714,228	3,417,381
Margate Shipping Co.	144,603,929	0	144,603,929	144,603,929	0
Moore-McCormack Bulk Transport	137,173,787	0	137,173,787	137,173,787	0
Moore-McCormack Lines ⁸	734,212,876	17,762,445	716,450,431	716,450,431	0
N.Y. & Cuba Mail Steamship	8,090,108	1,207,331	6,882,777	6,882,777	0
Ocean Carriers	45,994,825	0	45,994,825	45,994,825	0
Ocean Chemical Carriers, Inc.	32,038,425	0	32,038,425	26,241,796	5,796,629
Ocean Chemical Transport, Inc.	31,226,743	0	31,226,743	27,079,378	4,147,365
Oceanic Steamship ⁵	113,947,681	1,171,756	112,775,925	112,775,925	0
Pacific Argentina Brazil Line ¹	7,963,936	270,701	7,693,235	7,693,235	0
Pacific Far East Line ⁶	283,693,959	23,479,204	260,214,755	260,214,755	0
Pacific Shipping Inc.	18,840,400	0	18,840,400	18,840,400	0
Prudential Lines ⁴	641,647,708	24,223,564	617,424,144	617,424,144	0
Prudential Steamship ¹	26,352,954	1,680,796	24,672,158	24,672,158	0
Sea Shipping	25,819,800	2,429,102	23,390,698	23,390,698	0
Seabulk Transmarine I & II, Inc.	35,845,320	0	35,845,320	35,845,320	0
South Atlantic Steamship ¹	96,374	84,692	11,682	11,682	0
States Steamship	231,997,100	5,110,997	226,886,103	226,886,103	0
United States Lines ⁷	750,518,013	54,958,689	695,559,324	695,559,324	0
Vulcan Carriers	29,847,656	0	29,847,656	29,847,915	0
Waterman Steamship Corp.	462,755,673	0	462,755,673	460,289,472	2,466,201
Worth Oil Transport	17,428,314	0	17,428,314	17,428,314	0
Total Regular ODS	\$10,407,896,340	\$238,186,435	\$10,169,709,905	\$10,134,706,275	\$35,003,629
Soviet Grain Programs ⁹	\$147,132,626	\$0	\$147,132,626	\$147,132,626	\$0
Total ODS	\$10,555,028,966	\$238,186,435	\$10,316,842,531	\$10,281,838,901	\$35,003,629

¹ No longer subsidized or combined with other subsidized lines..

² AEL was acquired by Farrell Lines, March 29, 1978.

³ APL merged its operations with AML's October 10, 1973.

⁴ Changed from Prudential-Grace Lines, Inc., August 1, 1974.

⁵ Purchased by Lykes Bros. Steamship Co., Inc.

⁶ Went into receivership August 2, 1978

⁷ Ceased to be subsidized in November 1970, returned as a subsidized carrier in January 1981.

⁸ Purchased by United States Lines, Inc. October 1983.

⁹ No longer operative.

¹⁰ Farrell Lines merged its operations with Argonaut, December 20, 1994.

Table 15: ODS CONTRACTS IN FORCE—SEPTEMBER 30, 2000

A. Liner Trades

<i>Operator and Contract No.</i>	<i>Contract Duration</i>	<i>Number Subsidized Ships</i>	<i>Service</i>	<i>Required Service as Described in Appendix A to Contract</i>
None	-	-	-	-
Total Liner Trades		0		

B. Bulk Trades

<i>Operator and Contract No.</i>	<i>ODS Agreements</i>		<i>Number of Subsidized Ships</i>	<i>Service</i>
	<i>Contract Effective Date</i>	<i>Contract Termination Date</i>		
Brookville Shipping, Inc. MA/MSB-542	1-01-96	12-31-2000	5 1/	Worldwide Bulk Trade
Equity Carriers, Inc. MA/MSB-439	5-24-81	5-23-2001	0 2/	Worldwide Bulk Trade
Frances ODS Corporation ³ MA/MSB-442	9-19-81	9-18-2001	1	Worldwide Bulk Trade
Julius ODS Corporation ⁴ MA/MSB-440	3-26-81	3-25-2001	1	Worldwide Bulk Trade
Total Bulk Trades			7	

¹ Total of 10 ship years of subsidy for five years, but no limitation as to number of subsidy days that may be used in any one year by any of the five vessels.

² Dormant contract.

³ Transferred from Ocean Chemical Carriers, Inc.

⁴ Transferred from Ocean Chemical Transport, Inc.

Table 16: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS—FY 2000¹**A. Program Summary**

U.S. PRIVATELY-OWNED VESSELS	<i>Number</i>	<i>Gross Tons</i>
Transfer to Foreign Ownership and/or Registry		
Vessels of 1,000 Gross Tons and Over	40	1,179,823
Vessels of Under 1,000 Gross Tons	1	405
Total	41	1,180,228
Modifications	1	39,132
Violations		
Reported	1	
Mitigated or Settled	1	
Recissions (Sales to Aliens)	0	
Mortgages to Aliens	0	
Denials	0	
U.S. GOVERNMENT-OWNED VESSELS	0	

¹ Approvals granted by MARAD pursuant to Section 9, Shipping Act of 1916, as amended.

Table 16: FOREIGN TRANSFERS AND OTHER SECTION 9 APPROVALS—FY 2000—Continued

B. FOREIGN TRANSFER APPROVALS—Vessels of 1,000 Gross Tons and Over

*Pursuant to Section 9
(U.S.-Owned and U.S. Documented)*

	<i>No. of Vessels</i>	<i>Gross Tons</i>
Tankers	6	221,664
Tug	1	1,360
Cargo	8	86,478
Barges	11	52,546
Liquefied Natural Gas Carrier	8	760,672
Lash Carrier	1	26,456
Fishing	4	9,172
Mobile Offshore Drilling Unit	1	21,475
Total	40	1,179,823
Recapitulation by Nationality		
Barbados	1	10,127
Belize	2	2,561
Bolivia	3	3,021
Canada	2	10,681
Federated States of Micronesia	1	1,552
Marshall Islands	8	760,672
Mexican	4	7,188
Panama	3	139,997
Russia	2	2,117
St. Vincent and The Grenadines	1	1,446
Total	27	940,420
Sale to Foreign Nationals for Scrapping	13	239,403
GRAND TOTAL	40	1,179,823

CHAPTER 6

Cargo Preference

MARAD oversees the administration of and compliance with U.S. cargo preference laws and regulations by Federal agencies as they relate to individual programs that generate oceanborne cargoes.

MARAD ensures that cargo preference compliance is achieved by Federal government agencies. It also encourages Federal agencies to maximize the use of U.S.-flag vessels, monitors bilateral and similar agreements, and identifies discriminatory or potentially discriminatory trade practices against U.S.-flag vessels.

Major programs include humanitarian aid shipments provided by the U.S. Department of Agriculture (USDA) and U.S. Agency for International Development (AID), cargoes financed by the Export-Import Bank (Eximbank), Foreign Military Sales (FMS), and Department of Defense (DOD) cargo shipped via commercial ocean carriers.

Preference Cargo

Monitoring compliance with U.S. cargo preference laws is essential in encouraging Federal agencies to maximize the use of U.S.-flag vessels. MARAD is required to report annually to Congress on compliance with the following major cargo preference laws:

- ◆ **The Cargo Preference Act of 1954** (P.L. 83-664), as amended, requires that at least 50 percent of the gross tonnage of all Government-generated cargo be transported on privately owned, U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates. In 1985, the Merchant Marine Act of 1936 was amended to increase the percentage of certain agricultural cargoes required to be carried on U.S.-flag vessels from 50 to 75 percent.
- ◆ **The Cargo Preference Act of 1904** requires all items procured for or owned by U.S. military departments and defense agencies be carried exclusively (100 percent) on U.S.-flag vessels available at reasonable rates. DoD shipments of the personal effects of service personnel stationed overseas come under the 100 percent U.S.-flag requirement of section 901(a) of the Merchant Marine Act, 1936, as amended.
- ◆ **The Maritime Security Act of 1996.** Section 17 of the 1996 Act permits Great Lakes ports to participate in the handling of P.L. 480 Title II humanitarian food aid packaged commodities awarded on a lowest landed cost basis without reference to vessel flag. The law allows these

ports to act as bridge-ports, providing loading and unloading services, even though the cargo may actually be shipped from another port, and thus provides stevedoring jobs during the winter months when the Great Lakes are closed to vessel traffic.

- ◆ **Public Resolution (P.R.) 17 of the 73rd Congress** requires that all cargoes generated by the Eximbank, or other Government instrumentality, be shipped on U.S.-flag vessels, unless a waiver is granted by MARAD. Waiver procedure policy is set forth on MARAD's website located at http://www.marad.dot.gov/offices/cargo_pref.html.
- ◆ Included at this site is a list of U.S.-flag carriers and U.S.-flag vessels. This information allows quick and easy access to information regarding U.S.-flag vessel service. The page also includes active links to the U.S. Coast Guard's listing of vessels, owners, and operators prohibited from carrying Government impelled cargo and a wealth of other information.

P.L. 105-383 established that substandard vessels and vessels operated by operators of substandard vessels are prohibited from the carriage of Government impelled cargo for up to 1 year after such determination has been published electronically. The easy availability of this information has resulted in increased industry use.

MARAD monitors the shipping activities of Federal agencies, independent entities, and Government corporations (see Table 17). Statistics are maintained on a calendar year (CY) or fiscal year (FY) basis or on a 12-month program maintained over the life of a loan or guarantee.

Civilian Agencies

Israeli Cash Transfer (GOI)

The Israeli Cash Transfer program between the Government of Israel and the AID generates approximately 1.6 million tons of bulk grain annually. A "side letter" agreement requires that U.S. carriers transport 50 percent of the Israeli grain.

During FY 2000, 800,000 tons were carried on U.S.-flag vessels and earned revenue of approximately \$25 million. A new "side letter" is expected to be issued for FY 2001.

Export-Import Bank (Eximbank)

Eximbank shipments are governed by P.R. 17, which requires that 100 percent of all cargoes financed by an instrumentality of the Government move on U.S.-flag vessels. A general waiver

permits the recipient's national-flag vessels to carry up to 50 percent of the credit if that country does not discriminate against U.S. shipping companies.

Requests for non-availability waivers for project cargoes have declined since MARAD published new policy procedures in the Federal Register, which became effective June 30, 1997. The procedures stipulate the criteria required for each type of waiver. MARAD is continuing its close collaboration with Eximbank, exporters, importers, and carriers to make the system more efficient and effective for all parties and to facilitate communication among the parties.

Strategic Petroleum Reserve

In 1977, the U.S. Government announced its intention to store 750 million barrels of crude oil in salt domes along the Gulf Coast as a Strategic Petroleum Reserve (SPR). At the end of CY 2000, 541 million barrels were stored at five SPR sites.

The Cargo Preference Act of 1954 requires the Department of Energy (DOE) to transport at least 50 percent on U.S.-flag tankers. In 1977, MARAD and DOE agreed that long ton/miles (LTM) more accurately reflect the broad geographical distances in transporting oil than tonnage alone for compliance.

Due to budgetary constraints there was little or no activity between 1995 and 1998. In April 1999, it was agreed that the off shore producers would pay their leasing fees using 28 million barrels of crude oil, or "royalty in kind."

All ocean borne shipments were accomplished using foreign flag tankers. However, the Memorandum of Understanding allows monitoring on a cumulative basis. Since the inception of the SPR program, 51.38 percent of the crude oil was transported on U.S.-flag tankers.

Military Cargoes

MARAD initiates and recommends regulations and procedures for DOD to follow in administering cargo preference. Program efforts concentrate on meetings and discussions with DOD component commands, contractors, suppliers, freight forwarders, and shipping companies to focus attention on meeting the needs of all constituents within the context of U.S.-flag carriage requirements.

Cargo shipped for DOD is subject to the Cargo Preference Act of 1904. The preponderance of DOD dry cargo is booked on U.S.-flag vessels by the Military Traffic Management Command (MTMC) for the various DOD shipper services as part of the Defense Transportation System (DTS). The rates and services provided by the ocean carriers constitute their transportation contracts with MTMC.

MARAD receives quarterly reports from MTMC on the movement of DOD-sponsored shipments of personal effects. This exchange of information is the result of a Memorandum of

Agreement between MARAD and MTMC signed on March 2, 1996.

MARAD also receives data from MTMC for the movement of privately owned vehicles (POVs) being transported between points in the continental United States and points overseas. Data is derived from MTMC's contract, new in 1998, with a single service provider responsible for managing the shipment of all POVs for military personnel.

A significant amount of DOD cargo moves in the commercial sector outside the DTS. Unfortunately, the cargo that is shipped by DOD contractors utilizing commercial corporate traffic departments or second or third party providers, such as freight forwarders and logistics managers, frequently moves without data being reported to either DOD or MARAD. Consequently, the tonnage and revenue data from commercial sources is typically less than complete and unable to be accurately reflected in Table 17 (see footnote 19). Under DOD acquisition regulations, cargo preference does not apply to subcontractors providing commercial off-the-shelf items, when ocean transportation is not the purpose of the contract, unless the cargoes are clearly destined for eventual military or Government use. Therefore, there may be no requirement for tonnage or revenue to be reported for some commercial shipments.

MARAD continues to work closely with DOD representatives and contractors to improve reporting and monitoring of cargo preference shipments by fostering improved communication and meeting the mutual needs of our DOD customers and the U.S. maritime industry.

DOD Services and Agencies Defense Security Cooperation Agency

The Defense Security Cooperation Agency (DSCA) is the sponsoring defense component for items purchased through Foreign Military Financing (FMF) grant transfers such as those under the Foreign Assistance Act (FAA). The movement of excess defense articles within the FMF program is consistent with the continued drawdown of U.S. forces.

The statistics reflected in Table 17 from FMF and related FAA programs represent combined tonnage and revenue data for those ocean shipments arranged by the foreign recipients' freight forwarder. These statistics also reflect cargoes that were authorized to move within the Defense Transportation System (DTS) and which were processed by MTMC and MSC.

Continuing its support of the U.S. merchant marine, DSCA extends its 100 percent U.S.-flag shipping policy to FMF programs and other U.S.-financed cargo being transferred to other countries via programs under its purview.

DSCA policy does incorporate the possibility for countries to request a general waiver annually. The waiver allows the recipients national flag vessels to participate in the ocean carriage of applicable cargoes up to a maximum of 50 percent of total annual ocean freight tonnage and ocean freight revenue. Favorable

consideration of a general waiver is permissible under the Cargo Preference Act of 1954.

DSCA bases each general waiver decision on a MARAD determination that the country concerned has maintained a "favorable" record of cargo preference compliance during the past year. A general waiver is subject to reconsideration at any time if the country does not continue to maintain its favorable cargo preference compliance record.

Air Force

Cargo volume shipped by or for the Air Force moving by surface transportation continues to decline, principally because of the increased use of air transportation to deliver the products in a more timely manner and the downsizing of foreign bases.

U.S. Army

Corps of Engineers (COE)

The trend in downsizing and budgetary cutbacks continues to show in decreased Army program tonnage. COE remains in compliance with the cargo preference laws, although at reduced levels in tonnage and revenue. MARAD has met with the new COE headquarters acquisition and logistics staff to ensure contracting personnel are enforcing compliance with the 1904 and 1954 Acts.

Defense Logistics Agency (DLA)

Tonnage reported under the DLA program decreased significantly because of a decline in the number of contracts awarded, the increased use of air transportation for small packages and the increase in direct vendor deliveries.

Navy/Marine Corps

The Navy program was in compliance with the cargo preference laws during this reporting period. The total number of contracts has decreased from FY99 to FY00 resulting in a reduction of overall tonnage.

Agricultural Cargoes

The statutory sources of agricultural cargo preference programs are Titles I, II, and III of P.L. 83-480; Section 416 (b) of the Agricultural Act of 1949; and the Food for Progress Act of 1985. These programs have a 75 percent U.S.-flag shipping requirement. Section 17 of the Maritime Security Act of 1996 permits Great Lakes ports to participate in handling Title II packaged commodities awarded on a lowest landed cost basis without reference to flag of vessel.

Significant events occurred during the past Cargo Preference Year (CPY) that had a major impact on agricultural cargo subject to preference. Shipments were completed under a 2.5-million metric ton Section 416(b) wheat program, a new 3-million metric ton Section 416 (b) wheat initiative was announced, and the United States shipped 3.3 million metric tons of food aid to the Russian Federation. The United States also donated nearly 600,000 metric tons of food aid to North Korea.

Even though a portion of these programs was shipped in the subsequent CPY, shipments during the 1999/2000 CPY increased by over 4.2 million metric tons from the previous CPY. This 85 percent increase resulted in employment opportunities for the U.S.-flag fleet not experienced since CPY 1993/1994. Collectively, 74.1 percent of the 9.2 million metric tons of humanitarian food aid commodities were transported on U.S.-flag vessels during the 1999/2000 CPY.

Since tankers were permitted to transport feed corn to the Russian Federation, U.S.-flag vessels transported about 60 percent of the bulk grains delivered to the Russian Federation during CPY 1999/2000 as opposed to 30 percent of the bulk grain delivered by U.S.-flag vessels to the Russian Federation during CPY 1993/1994.

- ◆ **Title I** provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries on concessional credit terms. Approximately 2.1 million metric tons of food aid were shipped during CPY 1999/2000. This was about 1.2 million metric tons (140 percent) more than the prior year, 529,000 metric tons (61 percent) more than shipments during CPY 1994/1995.
- ◆ **Title II** is a donation program administered by AID, which generated approximately 2.2 million metric tons of packaged, processed, and bulk commodities for least developed countries. Shipments increased by 455,000 metric tons (26 percent) over the previous CPY due to lower commodity prices; however, this is 606,000 metric tons less than shipped during CPY 1994/1995.
- ◆ **Title III** is a Food for Development Program established by the Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Farm Bill). Under this bilateral grant program, agricultural commodities are donated to least developed countries. Shipments under the Title III program began during CPY 1991/1992. Approximately 116,000 metric tons of bulk grain was shipped during the current CPY, a decrease of 25,000 metric tons (18 percent) from last year but 965,000 metric tons less than CPY 1994/1995. Program funding has been substantially reduced during the past few years.
- ◆ **Section 416 (b)** is a donation program established primarily to distribute surplus commodities, to the extent such surpluses exist. There were over 4.3 million metric tons shipped under the President's wheat program, the new wheat initiative, and the Russian food aid program. Shipments were 2.7 million metric tons (157 percent) greater than the prior year and 4.1 million metric tons (247 percent) more than shipped during CPY 1994/1995.
- ◆ **Food for Progress** provides agricultural commodities to developing countries on a grant basis in exchange for development policy reforms. During the 2000 CPY, 397,000 metric tons of commodity were donated, including over 196,000 metric tons of packaged commodities donated to the Russian Federation through private volun-

tary organizations. This was 95,000 metric tons (19 percent) less than the previous CPY and 196,000 metric tons (40 percent) less than CPY 1994/1995 shipments.

Ocean Freight Differential (OFD)

The Food Security Act of 1985 (P.L. 99-198) increased the required percentage for U.S.-flag carriage from 50 to 75 percent of gross tonnage of certain agricultural programs (i.e., P.L. 480, Food for Progress, and Section 416 (b) programs).

The Department of Transportation is responsible for financing any increased ocean freight charges resulting from the application of the increased U.S.-flag portion. MARAD reimburses USDA for its share of the OFD costs to ship the additional 25 percent. OFD cost is defined as the difference between the cost of shipping cargo on a U.S.-flag vessel as compared to shipping the same cargo on a foreign-flag vessel.

MARAD reimbursed the Commodity Credit Corp. (CCC) \$22.9 million for OFD invoices and documents submitted during FY 2000. A substantial amount of additional OFD obligations covering the 1999/2000 CPY remain outstanding and will be paid upon receipt of invoices from USDA. CCC was not reimbursed for OFD that included inland freight and bagging and stacking costs.

Based on payments made during FY 2000, the average OFD cost for which MARAD reimbursed USDA was \$45.83 per metric ton, an increase of \$6.32 per metric ton, or 16 percent, from the previous year. This increase was due, in part, to weak foreign-flag rates and an 85 percent increase in program tonnage. OFD obligations that remain outstanding are not expected to increase the average OFD rate paid for shipments during CPY 1999/2000.

Under the 1985 Act, if the total obligations incurred by USDA and CCC for ocean freight and OFD on exports of agricultural commodities and products under certain agricultural programs exceed 20 percent of the value of the commodities exported under these programs, plus the ocean freight and OFD, MARAD must reimburse CCC for the excess.

In 1994, MARAD paid USDA \$35.2 million for such excess freight costs relating to FY 1992. That payment was in addition to the OFD reimbursement during the year. During FY 1998, USDA invoiced MARAD \$71.1 million for excess freight costs for FY 1993. At this time, our analysis indicates that such shipping costs did not exceed the 20 percent threshold for that fiscal year. No requests for excess freight reimbursements were received during FY2000.

Minimum Tonnage

The minimum tonnage for agricultural products was created by the Food Security Act of 1985 and established under Section 901c(a)(1) of the Merchant Marine Act, 1936, as amended. This includes P.L. 480, Section 416(b), and the Food for Progress programs. The purpose of formulating a minimum tonnage was

to ensure that U.S.-flag carriers continue to receive a fair share of Government-generated agricultural exports. Based on MARAD's preliminary program tonnage for FY 1999, a total of 9,134,339 tons of such agricultural products were exported. The minimum tonnage calculated for FY 1999 is 5,593,937 metric tons. This represents a surplus of 3,540,402 metric tons.

Even though Congressional appropriations for FY 1999 were lower than the previous year, the foreign food aid tonnage exported during the period was above the base period. This was due to lower commodity costs, and shipments of surplus wheat under the Section 416 (b) program and under the Russian food aid program. However, during the past four fiscal years the collective minimum tonnage deficit amounted to approximately 11.8 million metric tons. This lack of tonnage has resulted in a substantial downsizing in the dry bulk U.S.-fleet, and the virtual elimination of the break bulk U.S.-fleet.

MARAD has met with USDA to discuss the continual reductions in food aid funding and will continue to maintain this dialogue. The Agency is encouraged, however, that this deficit will be reduced during the next couple of fiscal years due to continued commodity surpluses and a new Global Food for Education initiative being implemented by the Administration.

During FY 2000 USDA incurred certain difficulties in attracting participating countries in order to obligate all program funds and funds carried over from the previous year. Some of the commodity provided by the funding carryover will be transported in FY 2001. This, coupled with a slight reduction in funding for FY 2001, continued low commodity prices and shipments under the Global Food for Education initiative, should provide favorable ocean transportation opportunities for FY2001, however, at a lower level than those experienced in FY 2000.

Fair and Reasonable Rates

Section 901(b)(1) of the Merchant Marine Act of 1936, as amended, requires a percentage of Government-impelled cargoes to be carried on U.S.-flag vessels. However, the section also stipulates that the vessels must be available at rates that are deemed to be fair and reasonable.

MARAD is responsible for providing the shipper agencies with guidance on whether an offered rate is fair and reasonable. Regulations governing the calculation of fair and reasonable guideline rates are codified at 46 CFR Part 382.

In Fiscal Year 2000, MARAD calculated 214 fair and reasonable guideline rates for 4.5 million metric tons of Government-impelled cargoes. Shipments went to numerous destinations ranging from North Korea to Bangladesh to Africa and to South and Central America.

Fair and reasonable guideline rates serve as a ceiling on market freight rates in periods of high demand for U.S.-flag vessels. During FY 2000, the offered rate exceeded the fair and reasonable guideline rates on 30 occasions. Many ship operators low-

ered their offered freight rate to the fair and reasonable guideline rate thus saving the U.S. Government \$4.6 million in FY 2000.

The program contributes to the operation of a variety of U.S.-flag vessels. In FY 2000 ship operators filed vessel costs for

179 vessels with MARAD under this program. The total consisted of 80 ocean going self-propelled vessels, 44 ocean going barges, and 55 tugboats.

Table 17: GOVERNMENT-SPONSORED CARGOES—1999/2000*(Note: These numbers do not include domestic shipments)***PUBLIC LAW 664 CARGOES:**

<i>Program</i>	<i>U.S.-Flag Revenue (\$1,000)</i>	<i>Total Metric Tons</i>	<i>U.S.-Flag Metric Tons</i>	<i>Percentage U.S.-Flag Tonnage</i>
Agency for International Development (AID) for CY 1999:				
Loans and Grants				
Liner	10,803	80,757	66,099	81.5
Bulker	0	0	0	0.0
Tanker	0	19,459	0	0.0
TOTAL	10,803	100,216	66,099	65.9
Agency for International Development (AID) for CY 2000:				
Loans and Grants				
Liner	13,502	113,211	97,386	86.0
Bulker	0	0	0	0.0
Tanker	0	0	0	0.0
TOTAL	13,502	113,211	97,386	86.0
P.L. 480 - Title II CPY 99/002				
Liner	168,858	1,285,381	1,028,008	80.0
Bulker	28,164	431,420	257,842	59.8 ³
Tanker	43,579	502,687	479,190	95.3
TOTAL	240,601	2,219,488	1,765,040	79.5 ⁴
P.L. 480 - Title III CPY 99/002				
Liner	0	23,240	0	0.0 ⁵
Bulker	4,524	68,744	68,744	100.0
Tanker	2,209	23,882	23,882	100.0
TOTAL	6,733	115,866	92,626	79.9 ⁶
Department of Agriculture:				
P.L. 480 - Title I CPY 99/002				
Liner	32,741	218,461	140,445	64.3 ⁷
Bulker	59,245	1,444,794	666,536	46.1 ⁸
Tanker	35,988	439,578	423,949	96.4 ⁹
TOTAL	127,974	2,102,833	1,230,930	58.5 ^{3, 10}
Food for Progress CPY 99/002				
Liner	42,629	242,768	176,242	72.6 ¹¹
Bulker	5,829	114,707	74,474	64.9 ¹²
Tanker	3,265	40,069	35,070	87.5 ¹³
TOTAL	51,723	397,544	285,786	71.9 ^{3, 6}

Table 17: GOVERNMENT-SPONSORED CARGOES—1999/2000—Continued*(Note: These numbers do not include domestic shipments)*

Section 416(b) CPY 99/002				
Liner	40,308	296,753	238,099	80.2 ¹⁴
Bulker	78,607	1,996,456	1,136,142	56.9 ¹⁵
Tanker	164,792	2,051,663	2,051,662	100.0
TOTAL	283,707	4,344,872	3,425,903	78.86
U.S. Trade and Development Agency - CY 1999				
	90	344	307	89.2
U.S. Trade and Development Agency - CY 2000				
	16	16	16	100.0
National Science Foundation - CY 1999				
	6,102	40,311	38,967	96.7
National Science Foundation - CY 2000				
	6,049	39,890	38,240	95.8
General Services Administration - CY 1999				
	0	6	0	0.0 ¹
General Services Administration - CY 2000				
	15	4	11	31.2 ¹
Department of Transportation -CY 1999				
Federal Transit Administration	1,950	9,715	3,727	38.0 ^{1,16}
Department of Transportation -CY 2000				
Federal Transit Administration	4,257	13,913	5,519	40.0 ^{1,16}
Department of Energy - CY 1999				
Strategic Petroleum Reserve	0	825,845	0	0.0 ²⁰
Department of Energy - CY 2000				
Strategic Petroleum Reserve	0	488,677	0	0.0 ²⁰
U.S. Information Agency - CY 1999				
	25	129	24	18.6 ¹
U.S. Information Agency - CY 2000				
	0	0	0	0.0
Department of State - CY 1999				
Foreign Building Office	213	974	885	90.8
Other Agencies	5,884	3,813	9,799	70.9
Department of State - CY 2000				
Foreign Building Office	83	886	398	45.0 ¹
Other Agencies	5,000	10,841	6,891	64.0
Army Corps of Engineers -CY 1999				
	0	4,229	0	0.0 ²¹
Army Corps of Engineers - CY 2000				
	88	6,751	171	2.5 ²¹

Table 17: GOVERNMENT-SPONSORED CARGOES—1999/2000—Continued*(Note: These numbers do not include domestic shipments)***PUBLIC RESOLUTION 17 CARGOES:**

	<i>Total Metric Tons</i>	<i>U.S.-Flag Metric Tons</i>	<i>Total Freight Revenue</i>	<i>U.S.-Flag Freight Revenue</i>	<i>Percentage U.S.-Flag</i>
Eximbank - CY 1999	107,773	78,195	40,960,952	31,425,202	76.7
Eximbank - CY 2000	60,964	45,893	21,968,202	17,199,857	75.0

Israeli Side Letter Agreement

	<i>Total Metric Tons</i>	<i>U.S.-Flag Metric Tons</i>	<i>Foreign-Flag Metric Tons</i>	<i>Freight Revenue U.S.-Flag (\$)</i>	<i>Percentage U.S.-Flag</i>
Fiscal Year - 1999					
Government of Israel (GOI):	1,600,000	800,000	800,000	25,000,000	50.0 ¹⁷
Fiscal Year - 2000					
Government of Israel (GOI)	1,600,000	800,000	800,000	25,000,000	50.0 ¹⁷

Defense Security Cooperation Agency (DSCA):

	<i>U.S.-Flag Revenue (\$1,000)</i>	<i>Total Metric Tons</i>	<i>U.S.-Flag Metric Tons</i>	<i>Percentage U.S.-Flag Tonnage</i>
Foreign Military Financing, Grant Transfers and related programs - CY 1999				
Liner:	12,211	46,053	28,834	62.6
Tanker:	15,672	378,785	378,785	100.0
TOTAL	27,883	424,838	407,619	95.9
	<i>U.S.-Flag Revenue (\$1,000)</i>	<i>Total Metric Tons</i>	<i>U.S.-Flag Metric Tons</i>	<i>Percentage U.S.-Flag Tonnage</i>
Foreign Military Financing, Grant Transfers and related programs - CY 2000				
Liner:	17,868	57,607	39,428	68.4
Tanker:	18,043	480,831	478,378	99.5
TOTAL	35,911	538,438	517,806	96.2

Table 17: GOVERNMENT-SPONSORED CARGOES—1999/2000—Continued

(Note: These numbers do not include domestic shipments)

CARGO PREFERENCE ACT OF 1904 CARGOES:

	FISCAL YEAR 1999¹⁸		Percentage		Percentage
	Total Metric Tons	Metric Tons Dry Cargo	U.S.-Flag Tonnage Dry Cargo	Metric Tons Petroleum	of Total Tonnage
Department of Defense Support Cargoes:					
U.S.-flag privately-owned vessels	787,485	787,485	59.9	n/a	10.3
Foreign-flag vessels	146,316	146,316	0.0	n/a	1.9
U.S. Government-owned vessels	141,755	141,755	10.8	n/a	1.8
Time Chartered U.S.-flag vessels	4,280,766	76,447	5.8	4,204,319	56.1
Time Chartered Foreign-flag vessels	n/a	n/a	n/a	n/a	n/a
Voyage Chartered U.S.-flag vessels	2,031,962	131,176	9.9	1,900,786	26.6
Voyage Chartered Foreign-flag vessels	235,301	31,085	0.0	204,216	3.0
Total Support Cargo	7,623,585	1,314,264	86.4	6,309,321	99.7

	FISCAL YEAR 2000¹⁸		Percentage		Percentage
	Total Metric Tons	Metric Tons Dry Cargo	U.S.-Flag Tonnage Dry Cargo	Metric Tons Petroleum	of Total Tonnage
Department of Defense Support Cargoes:					
U.S.-flag privately-owned vessels	586,129	586,129	66.1	n/a	9.5
Foreign-flag vessels	87,970	87,970	0.0	n/a	1.4
U.S. Government-owned vessels	8,685	8,685	1.0	n/a	0.1
Time Chartered U.S.-flag vessels	3,714,928	65,076	7.7	3,649,852	60.5
Time Chartered Foreign-flag vessels	n/a	n/a	n/a	n/a	n/a
Voyage Chartered U.S.-flag vessels	1,548,131	111,367	13.2	1,436,764	25.2
Voyage Chartered Foreign-Flag vessels	196,144	27,488	0.0	168,656	3.2
Total Support Cargo	6,141,987	886,715	88.0	5,255,272	99.9

	FISCAL YEAR 1999¹⁹		Percentage	
	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	U.S.-Flag Tonnage
Department of Defense Commercial Contractor Cargoes and Personal Property Shipments	301,439	161,806	159,294	98.0

	FISCAL YEAR 2000¹⁹		Percentage	
	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	U.S.-Flag Tonnage
Department of Defense Commercial Contractor Cargoes and Personal Property Shipments	227,170	114,047	112,138	98.0

Table 17: GOVERNMENT-SPONSORED CARGOES—1999/2000—Continued

(Note: These numbers do not include domestic shipments)

NOTES

1. Imbalance due to non-availability of U.S.-flag service.
2. The Food Security Act of 1985 (P.L. 99-198) changed the agricultural reporting period from a calendar year to a 12-month period commencing April 1 through March 31. The required U.S.-flag share for the current reporting period, April 1, 1999 to March 31, 2000, is 75 percent.
3. After accounting for the non-availability of certain U.S.-flag vessels, dry bulk vessels met the 75 percent U.S.-flag requirement.
4. Cargo preference compliance is currently monitored on a global basis by vessel type for the Title II program.
5. Ethiopia and Haiti did not ship any cargo on U.S.-flag liner service, Ethiopia due to no offers.
6. Cargo preference is currently monitored on a country by vessel type basis.
7. Indonesia (ID-5003 71 percent) and Russia (RS-5004 32 percent, RS-5005 68 percent, and RS-5006 48 percent) did not meet the 75 percent requirement due to insufficient or non-responsive U.S.-flag offers.
8. Guatemala (GT-5007 and GT-5009) and the Ivory Coast (IV-5008) did not ship any cargo on U.S.-flag dry bulk vessels due to no, or insufficient U.S.-flag offers. The following countries failed to meet the 75 percent requirement: Ecuador (EC-5021 58 percent - insufficient U.S.-flag offers) and Russia (RS-5001 36 percent - insufficient U.S.-flag offers; however, a 39,000 MT offer was refused) and (RS-5004 54 percent - insufficient U.S.-flag offers.)
9. The following countries did not ship any bulk liquid cargo on U.S.-flag vessels due to the lack of, or insufficient, U.S.-flag offers: El Salvador (ES-5018 & 5019) and Guatemala (GT-5008).
10. The Title I program is currently monitored on an individual Purchase Authorization (PA) basis.
11. The Ivory Coast and Zimbabwe did not ship any cargo on U.S.-flag liner service vessels due to lack of offers. Russia (70 percent) and Tajikistan (68 percent) failed to achieve the 75 percent requirement due to insufficient U.S.-flag offers.
12. Four of the eight participating countries - Georgia, Indonesia, Ivory Coast and Nicaragua - did not ship any preference cargo on U.S.-flag dry bulk vessels due to lack of U.S.-flag offers.
13. Honduras and South Africa did not ship any preference cargo on U.S.-flag tankers due to lack of U.S.-flag offers.
14. Guatemala (50 percent) and Yugoslavia (36 percent) did not meet the 75 percent requirement. Pakistan did not ship any cargo on U.S.-flag liner service vessels due to lack of offers.
15. Thirteen of the twenty-four participating countries did not achieve the 75 percent requirement: Bangladesh (51 percent), Bosnia-Herzegovina (70 percent - due to insufficient U.S.-flag offers), China (60 percent), Jordan (74 percent), North Korea (54 percent - due to insufficient U.S.-flag offers), and Russia (37 percent - due to insufficient U.S.-flag offers). Afghanistan, Georgia, Indonesia, Mongolia, Philippines, and Sri Lanka did not ship any cargo on U.S.-flag dry bulk vessels.
16. The program tonnage is reflected in metric tons for uniformity only. Cargo preference compliance for those programs involving high cube/low density cargo is achieved on a gross revenue ton basis. Percentage reflected on a weight tonnage basis for such programs do not necessarily represent the exact extent of the programs' compliance with the statute. U.S.-flag vessels received 25 percent of the revenue tons for CY 1999 and 45 percent for CY 2000 due to the fact that the compliance requirement was met or exceeded during previous years.
17. Under the "side letter" agreement the GOI, on a fiscal year basis, must provide U.S.-flag vessels with 800,000 tons of bulk grain. During FY 99 the GOI provided 848,000 tons of which 19,000 tons was applied to the FY 1998 deficit and the balance of 29,000 tons was added to the FY 00 cargoes. FY 2000 ended in a deficit of 45,000 tons. Cargoes loaded during FY 01 were applied to this deficit and the agreement was satisfied.
18. Tonnages reported by Military Sealift Command (MSC) and Military Traffic Management Command (MTMC). Tonnages are from vessel manifests and lift reports of ocean carriers that carry DOD sponsored cargo by liner contract or charter contract during the fiscal year. POVs are included in these tonnages. Personal property and Foreign Military Sales cargoes are excluded. "U.S.-flag privately-owned vessels" and "foreign-flag vessels" represent cargoes transported by contract with liner carriers.
19. Tonnages and revenues for commercial cargoes derived from rated bills of lading submitted by shippers to MARAD's Office of Cargo Preference. Tonnages and revenues for DOD personal property shipments are reported by MTMC from rated bills of lading submitted for payment by carriers performing personal property shipments under MTMC contract.
20. For equity purposes, MARAD monitors the SPR program on a long ton/mile basis. This program did not meet its compliance requirement for CY 1999/2000. A Memorandum of Understanding was issued on October 29, 1982, allowing the program to be monitored on a cumulative basis. Since the program inception, U.S.-flag tankers received 51.33 percent of the cargoes.
21. The vast majority of these shipments are for a road building project in Micronesia. The cargo originates outside of the United States affording little or no U.S.-flag involvement.

CHAPTER 7

Maritime Labor, Training, and Safety

MARAD supports the training of merchant marine officers and crew members with a focus on safety in U.S. waterborne commerce. The Agency also monitors national and international maritime industry labor-management practices and policies; promotes healthy labor-management relations; and fosters a safe and efficient maritime transportation system through the effective use of human resources.

U.S. Merchant Marine Academy

MARAD operates the U.S. Merchant Marine Academy at Kings Point, NY, to educate young men and women for service in the American merchant marine, in the U.S. Armed Forces, and in the Nation's intermodal transportation system.

Graduates receive bachelor of science degrees and U.S. Coast Guard (USCG) licenses as deck or engineering officers, or both, and a commission in the U.S. Naval Reserve or another uniformed service.

The Academy is an integral component of the defense readiness called for in our national security policy and guarantees a source of merchant marine officers to meet our domestic and international U.S.-flag crewing needs.

As a key component of our national security effort, Academy graduates incur an 8-year U.S. Navy Reserve commitment (unless they are accepted in another uniformed service) that obligates them to serve in time of war or national emergency. The critical maritime skills developed with their military training significantly increases our Nation's defense readiness.

Academy graduates also are committed to a 5-year maritime service obligation. This requires them to obtain a merchant marine officer's license in order to graduate from the Academy, and to maintain the license for at least 6 years. This maritime service obligation may be satisfied in the merchant marine as an officer aboard U.S. merchant ships, or in shoreside maritime or intermodal transportation industry positions if afloat employment is not available, and with the permission of the Maritime Administrator. Active military duty in the U. S. Armed Forces or service with the National Oceanic and Atmospheric Administration also satisfies the obligation.

The Class of 2000, which graduated on June 19, comprised 15 third mates, 95 third assistant engineers, and 8 who completed the dual deck/engine license programs. Thirty-five of the third engineer licensees were graduates of the Marine Engineering and Shipyard Management Program. They were the second group of graduates to complete this program that focuses on engineering management as it applies to a shipyard or marine repair facility.

The 27 women graduates in 2000 brought to 397 the total number of female graduates since the first coeducational graduating class in 1978.

First Lady Hillary Rodham Clinton delivered the commencement address. During the ceremony, honorary degrees were presented to Malcom McLean, recognized as the founder of marine containerization, and to Frank Braynard, a maritime historian and artist.

Within 3 months after graduation, about 90 percent of the 218 graduates had obtained employment in the maritime and transportation industry, afloat and ashore, or were serving on active military duty. That percentage increases to nearly 100 percent within 6 months after graduation.

The Academy's newest major program, Logistics and Intermodal Transportation, introduced in 1999, is proving to be the most sought after major among the Academy's seven curriculum options. The program complements the marine transportation educational program to enable a graduate to manage effectively a complex commercial or defense logistics system.

Average enrollment at the Academy during the year was 913 midshipmen. At the beginning of the 2000-01 academic year, the regiment included 100 women, 26 of whom are scheduled to graduate with the Class of 2001. Members of Congress nominated 1,435 constituents for the Class of 2004 and a total of 276 freshmen, called plebes, were enrolled in July 2000.

The Academy's overall academic program is accredited by the Middle States Association of Colleges and Schools. The Marine Engineering Systems curriculum is approved by the Accreditation Board of Engineering and Technology (ABET). The academic year is divided into trimesters.

In addition to classroom study, Academy midshipmen are assigned to U.S.-flag merchant ships for two periods of practical shipboard experience.

State Academies

MARAD provides financial assistance to six State maritime academies to train merchant marine officers pursuant to the Maritime Education and Training Act of 1980: California Maritime Academy, Vallejo, CA; Great Lakes Maritime Academy, Traverse City, MI; Maine Maritime Academy, Castine, ME; Massachusetts Maritime Academy, Buzzards Bay, MA; State University of New York Maritime College, Fort Schuyler, NY; and Texas Maritime Academy, Galveston, TX.

State maritime academy cadets who participate in the Student Incentive Payment (SIP) Program receive a maximum of \$3,000

annually to offset school costs. Participating cadets are obligated to:

- ◆ complete the academy's course of instruction;
- ◆ pass the USCG examination for a license as an officer in the U.S. Merchant Marine and maintain that license for at least 6 years from the date of graduation;
- ◆ apply for and accept, if offered, an appointment as a commissioned officer in an armed force reserve component and serve for at least six years from the date of graduation; and
- ◆ maintain employment in the maritime industry at least 3 years from the date of graduation.

MARAD provides training vessels to five sea coast academies for use in at-sea training and as shore side laboratories.

Supplemental Training

MARAD provides supplemental training for seafarers in marine firefighting and defense readiness. In FY2000, 1,440 maritime personnel were trained in ship and barge firefighting, including U.S. citizen seafarers, USCG personnel, and port city professional firefighters. MARAD-sponsored basic and advanced firefighting training is offered at its fire school at Swanton, OH; the U.S. Navy Military Sealift Command (MSC)/MARAD fire training facility in Earle, NJ; and the U.S. Navy fire training installation at San Diego, CA.

Of the students attending the school in Toledo, 30 port city firefighters were trained in specialized marine firefighting skills and 98 USCG personnel received a customized course meeting USCG standards.

MARAD's National Sealift Training Program (NSTP) for Masters and Chief Mates under the Global Maritime Transportation School (GMATS), was expanded to include a special 2-week session for senior engineers and is labeled NSTP-E. The primary goal of the engineer course is to familiarize senior engineers with engineering requirements concerned with activation of the Ready Reserve Force.

NSTP training is designed to improve U.S.-flag strategic sealift support capability and reduce vulnerability to piracy and hostage threats. This program integrates defense communications, maritime security, and sealift readiness training drawing from lessons learned from *Operations Earnest Will*, *Desert Shield/Desert Storm*, *Uphold Democracy*, and *Restore Hope*. In FY 2000, 46 senior deck officers and 30 senior engineer officers completed this program.

MARAD also is working cooperatively with the MSC to facilitate the implementation of Chemical, Biological and Radiological Defense (CBRD) 1-day training for all U.S. merchant seamen at industry schools and maritime academies. The objective of this program is to have all U.S. mariners trained by 2004. This was the first fiscal year for the program and nearly 400 seafarers were certificated.

Garrett A. Morgan Technology and Transportation Futures Program

The Department of Transportation's (DOT) Garrett A. Morgan Technology and Transportation Futures Program is aimed at ensuring that the United States has a workforce prepared for the technologically challenging jobs of the 21st century.

MARAD participation in this intermodal program is seen as an opportunity to interest students of all ages across the nation in marine careers and help inspire and prepare them to be valuable contributors to building a strong merchant marine.

Under MARAD chairmanship, an Internet site has been developed by an intermodal committee as one component of the program. MARAD has also stepped up its efforts in working with young students and participated in various opportunities to provide mentoring and inspiration on a one-to-one basis.

Merchant Marine Awards

Public Law 100-324, the Merchant Marine Decorations and Medals Act, authorizes the Secretary of Transportation to recognize outstanding and meritorious service or participation in national defense action. Under this authority, MARAD assisted in replacing merchant marine decorations issued to merchant mariners who served during World War II, Korea, Vietnam, and Operation DESERT STORM. In FY 2000, MARAD responded to more than 2,000 inquiries on awards and related issues.

Labor

Seafaring Labor

The Seafarers International Union of North America, AFL-CIO (SIU) and the National Maritime Union of America (NMU) are proceeding toward a merger. The two unions represent almost 90 percent of deep sea unlicensed seafarers. Members are expected to vote on ratification of the proposed merger in the spring of 2001. In a merger the combined union will represent unlicensed seafarers on most of the U.S.-flag vessels, U.S. Military Sealift Command (MSC) civilian crewed vessels and over 60 percent of the Ready Reserve Force (RRF).

Annual Crewing Assessment of U.S. Merchant Mariners

In FY 2000, United States sealift ships that depend upon civilian merchant mariners for activation crewing included the 91 RRF ships operated by MARAD and MSC's 8 fast sealift ships, 5 large medium speed roll-on/roll-off (LMSR) ships, and 2 hospital ships. Approximately 2,700 mariners would be needed to activate all the reserve sealift billets not currently manned.

The Maritime Security Program (MSP), authorized by the Maritime Security Act of 1996, supports 47 U.S.-flag, -owned and -crewed merchant vessels in international trade that stand ready to provide sustainment sealift support to the Department of Defense in contingencies. This MSP fleet provides employment for over 2,000 mariners a year, contributing to a merchant

mariner pool available for voluntary crewing of the U.S. reserve surge sealift ships if activated. These mariners, combined with mariners from other U.S.-flag vessels, recent graduates and experienced mariners working ashore, would be required to meet the sealift crewing requirement.

Longshore

The International Longshoremen's Association (ILA) and the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) membership in June approved a contract extension to the Master Contract. The contract extension continues the terms of the existing Master Agreement through September 30, 2004 and covers ILA members from Maine down the Atlantic seaboard through the Gulf Coast.

Safety

MARAD continues to emphasize safety and human performance in the maritime industry, focusing on the combined effects of human factors, training, management, organization, operating procedures, design, construction, and ship and shore relationships upon the safe and efficient operation of vessels.

Human factors contribute to about 80 percent of all accidents. Improvements in human performance and operating procedures

are key to achieving reliable, efficient, and competitive marine transportation that is safe for crew, passengers, and cargo while reducing the potential for pollution from accidents. This area is of equal concern in the shipbuilding, ship repair, and longshore industries.

MARAD and the USCG continued to facilitate joint industry development of the voluntary reporting "International Maritime Information Safety System" (IMISS). The National Aeronautics and Space Administration (NASA) joined the effort this year and is lending their expertise with the Aviation Safety and Reporting System (ASRS) to help design and get IMISS ready for operations. The Department has recognized the value of such systems and has begun to study and plan for similar systems in other modes.

The DOT Human Factors Coordinating Committee has carried the research initiatives developed last year into action with a workshop held in the summer. The workshop brought together industry and academic partners from various modes to discuss the initiative and focused on addressing the issue of "Managing Fatigue." The workshop also permitted discussion and elaboration of a Broad Agency Announcement which solicits collaborative type research proposals to accomplish fruitful efforts in this area.

CHAPTER 8

International Activities

Maritime Agreement with Brazil

On October 20, 1999, the Secretary of Transportation and his Brazilian counterpart signed a new bilateral maritime agreement in Rio de Janeiro. Key features of the agreement include: resolution of earlier disputes over Brazilian tax measures; guarantee of equal access for each country's national-flag carriers to the other country's Government-controlled cargo; encouragement of further liberalization of the maritime sector; and provisions for nondiscriminatory treatment of each side's carriers with respect to maritime-related services and facilities.

Throughout the remainder of the fiscal year, MARAD worked with its Brazilian counterparts to ensure smooth implementation of the bilateral agreement. The equal access provision was monitored. Also, steps were taken to secure the Brazilian government's commitment to ensure that discriminatory lighthouse fees are not applied to vessels of the United States and other countries having bilateral agreements with Brazil.

Administrator Holds Negotiations in China

From February 29 to March 3, 2000, the Maritime Administrator led the U.S. delegation to China to negotiate a new bilateral maritime agreement and to address business problems of U.S. carriers serving the China trade. This was the first opportunity for the two sides to meet since the signing of the bilateral agreement on China's accession to the World Trade Organization (WTO). During the meeting, the U.S. delegation expressed the importance of China's entry into the WTO, both in terms of the prospect for increased trade in goods and the incompatibility of restrictions applied to non-Chinese shipping companies with free and open markets.

During the discussion of specific problems that U.S. carriers face in the China trade, the Chinese confirmed that it does not interfere in the negotiation of shipping rates by shippers and carriers. The U.S. delegation restated its concern over the China-Korea bilateral cargo-sharing agreement, which limits access to foreign carriers. On the subject of China's restrictions on U.S. carriers' branch offices, the United States was informed that numerical restrictions were applied to inland offices, but not to coastal areas. The U.S. side also raised carriers' concerns over their inability to service effectively their customers as a result of the temporary nature of the licenses they have been granted to operate as freight forwarders in Shenzhen. Although some progress had been made toward addressing China's restrictions on U.S. carriers' operations and creating an agreed text on a new agreement, a number of restrictive measures remain to be removed by China. They include restrictions on port access, Chinese vessel agency monopoly, and intermodal operations.

Maritime Talks in Korea

On October 18, 1999, a MARAD-led delegation met with Korea's Ministry of Maritime Affairs and Fisheries (MOMAF) officials to discuss access for U.S. carriers to the Korea-China maritime trade that was controlled by the two countries under their bilateral maritime agreement. U.S. carriers were denied access to the international market between Korea and China.

On March 6, 2000, a Maritime Administration delegation met with MOMAF Minister Lee Hang Kyu and held discussions with Vice Minister Seoung Yong Hong. In March 2000, a U.S. delegation consulted in Beijing with Chinese authorities, who assured the U.S. delegation that there were no restrictions imposed by China on U.S. carrier access to the Korea-China trade. Korean officials agreed to discuss the matter with China at a June 2000 maritime bilateral meeting.

On May 18, 2000, the Administrator wrote to Vice Minister Hong expressing U.S. concerns with respect to the denial of access to third-flag carriers to the Korea-China trade and to propose the next steps that the United States believed were needed in order to resolve the issue. The Maritime Administration subsequently received a letter from the Korean government stating that it no longer imposed any barriers limiting the access of U.S. carriers to the Korea-China trade.

Pressing for Open Ports in Japan

On October 14 and 15, 1999, the Maritime Administrator held discussions in Tokyo with Ministry of Transport (MOT) officials about U.S. concerns over the failure of Japan to reform its port service industry. The Administrator also met with Vice Minister of Transport for International Affairs Doi and a Foreign Ministry official.

The United States continued its public expressions of concern over the port reform process in Japan. The Administrator addressed the International Propeller Club in Tokyo on October 13, 1999 in a speech entitled "Open Ports, Open Markets." Shortly after leaving Tokyo, the release of an op-ed column, titled "Japan's Ports Keelhaul the Economy," written jointly by the Under Secretary of State-Designate for Economic, Business and Agriculture Affairs and the Administrator appeared in the October 18, 1999, edition of the *Asian Wall Street Journal*.

On May 10, 2000, the Japanese Diet passed legislation amending the Port Transportation Business Law. The United States was concerned that the U.S.-Japan consultations of October 1997 produced no significant changes in Japanese policy on port reform as embodied in the MOT June 1999 final

report on port deregulation. Consequently, the Acting Maritime Administrator, in a September 22, 2000, letter to Vice Minister of Transport for International Affairs Jiro Hanyu, expressed the U.S. Government's concerns over the recently passed legislation and its implications for Japan's port policy. Of particular concern is that port operations of foreign liner carriers will remain subject to the intentions of the Japan Harbor Transport Association and significant regulation by the MOT.

Shipping and the World Trade Organization (WTO)

MARAD has continued to monitor developments of the WTO on maritime transport services. Under the terms of the Uruguay Round agreements concerning future trade negotiations, members of the WTO agreed that the next round of services negotiations, including maritime transport, would commence in January 2000. However, a comprehensive round of negotiations, involving all sectors, could not be agreed to at the WTO Ministerial held in Seattle in November 1999. Negotiations on maritime services were not launched. However, a review of member countries' exemptions from most-favored-nation (MFN) treatment was undertaken for all services sectors, as mandated under the Uruguay Round agreements. Since the United States has made no commitments, and exemptions to MFN were suspended in maritime transport, this review had no impact on U.S. maritime policies.

MARAD also assisted the Office of the United States Trade Representative (USTR) in the review, under the General Agreement on Tariffs and Trade (GATT), of the exemption for the domestic-build requirement for U.S. vessels under U.S. cabotage laws. The exemption, which was carried over from the 1948 GATT to the GATT of 1994, is now subject to periodic review to determine if conditions that created the need for the exemption still exist. The United States has asserted to the Council that its cabotage laws are a critical element of national defense.

International Transportation Symposium

Throughout the latter half of FY 2000, MARAD worked to support the Department's International Transportation

Symposium (ITS) held October 9-12, 2000, in Washington. The Agency organized a panel entitled, "Responding to Maritime Trade Growth" for the ITS. In a well-attended session, the panel examined the economic side of the maritime industry, discussing how governments and the world maritime industry can use global 'best practices' to successfully respond to the predicted substantial growth in world trade over the next 25 years. Panelists included distinguished government and industry officials from Europe, Africa and the Americas.

Organization for Economic Cooperation and Development (OECD)

MARAD participated in the U.S. delegation to meetings of the OECD's Maritime Transport Committee (MTC), which discussed a number of international shipping policy issues. In October 1999, the MTC held meetings in Tokyo and Kobe, Japan, which included consultations with maritime officials from leading non-OECD member countries. The two groups, OECD members and nonmembers, agreed to adopt a non-binding understanding on maritime principles. MARAD successfully opposed an earlier proposal to give countries a transition period before allowing foreign operators to provide maritime services in their markets.

The May 2000 meeting included a Workshop on Regulatory Reform in Maritime Transport. The Acting Maritime Administrator led U.S. delegates in affirming that the U.S. approach to maritime regulatory reform is embodied in the Ocean Shipping Reform Act of 1998 (OSRA). He remarked that this recent legislation is already achieving notable improvements in the shipping market through key changes such as confidential service contracts, while retaining limited carrier antitrust immunity. The maritime and regulatory authorities of America's major trading partners indicated that they have also recently reviewed their maritime regulatory regimes and plan no further changes.

MARAD also continued to provide advice and assistance to the Office of the U.S. Trade Representative on shipbuilding subsidy policy, in support of U.S. participation in meetings of the OECD's Council Working Party on Shipbuilding.

CHAPTER 9

Administration

Strategic Planning

Strategic and Performance Planning

MARAD's strategic plan identifies four strategic goals. These goals define the Agency's desired long-term accomplishments in the key areas of national security, shipbuilding, intermodalism, and trade. MARAD's strategic and performance goals were designed to support the achievement of the broader strategic outcomes outlined in the Department of Transportation (DOT) strategic plan. The Department's strategic plan was extensively updated during FY 2000 and was released late in the fiscal year. Staff from all of the DOT Operating Administrations, including MARAD, participated extensively in this update process.

MARAD developed performance goals and identified performance measures for FY 2001 that were specifically designed to support achievement of the DOT and MARAD strategic goals and outcomes. The MARAD FY 2001 Performance Plan was submitted to Congress on February 7, 2000 as an integral part of MARAD's FY 2001 budget request.

Planned accomplishments from activities designed to achieve the DOT and MARAD strategic and performance goals also provided the basis for an annual performance agreement between the Maritime Administrator and the Secretary of Transportation. The Maritime Administrator signed an annual performance agreement with the Secretary of Transportation in November 1999. The agreement outlined the specific accomplishments that MARAD planned to achieve during FY 2000. This agreement served as the basis for periodic progress reviews with the Deputy Secretary of Transportation. During FY 2000, MARAD completed, or was on target to complete shortly after the year end, 80 percent of the 117 planned accomplishments in the agreement. MARAD will continue efforts to complete the remaining 20 percent that have been deferred or delayed. For the first time, elements of this agreement were also placed into the performance appraisals of all MARAD senior executives.

MARAD considers strategic and performance planning to be an ongoing process and expects to continue refining MARAD's strategic goals, performance goals and measures, and planned accomplishments.

Maritime Subsidy Board

The Maritime Subsidy Board (MSB), by delegation of the Secretary of Transportation, amends and terminates contracts subsidizing the construction and operation of U.S.-flag vessels in the U.S. foreign commerce. The MSB holds public hearings, conducts fact-finding investigations, and compiles and analyzes

trade statistics and cost data to perform its functions. MSB decisions, opinions, orders, rulings, and reports are final unless the Secretary undertakes a review of a decision.

The MSB is composed of the Maritime Administrator, who acts as Chairman of the Board, the Deputy Maritime Administrator, and the Agency's Chief Counsel. The Secretary of the MSB acts as an alternate member in the absence of any one of the three permanent Board members.

The MSB conducted regular meetings during the fiscal year and a number of notices relating to adjudicatory proceedings and development and adoption of rules and regulations were published in the *Federal Register*.

In FY 2000, the Maritime Administrator and the MSB took a number of administrative actions to help strengthen the U.S. Merchant Marine. Significantly, the Maritime Administrator approved the transfer of Contract Nos. MA/MSP-18, -19 and -20 from Farrell Lines Inc. to E-Ships, Inc. as part of a merger with P&O Nedlloyd Limited, a British Company. The transfer retains the same three container vessels in the 10-year Maritime Security Program, which was enacted by the Maritime Security Act of 1996, and causes no reduction in military sealift capability. The old operating-differential subsidy (ODS) program phased out in 1998 for liner vessels and phases out in 2001 for bulk vessels.

Customer Satisfaction Program

In 1998, as a result of Executive Order No. 12862, a MARAD Customer Satisfaction Committee (Committee) was formed. The Committee consists of a representative from each MARAD program office.

In 1999 the Committee developed two forms: 1) the Customer Service Questionnaire, a mechanism to evaluate the perception of how we conduct our business, and 2) the Program Performance Survey (PPS), to identify improvement in program service or product delivery and to monitor the overall level of customer satisfaction. All major MARAD programs will be evaluated on a 3-year cycle.

In 2000 a third form was developed, the Conference/Exhibit Survey, which is used to evaluate MARAD's performance at conferences or exhibits which MARAD sponsored, cosponsored, or participated in.

In October 2000 the Maritime Administration Customer Service Report – August 2000 was published. Information contained in this report was derived from Program Performance Surveys sent to customers of six MARAD programs, and the

Customer Service Questionnaire, mailed periodically. The 2000 report compared findings with FY 1999 baseline data.

MARAD also developed and implemented a Customer Service Improvement Plan for programs surveyed in 1999.

LEGAL SERVICES AND AGENCY DECISIONS

MARAD's Office of the Chief Counsel provided legal support for Agency offices and independently conducted investigations, engaged in litigation, drafted rulemakings and monitored legislation. These legal services advanced the agency's strategic goals.

Freedom of Information Act (FOIA)

MARAD received 232 FOIA requests for access to records and processed 191 during the fiscal year.

Shipbuilding Related Activities

MARAD issued 12 commitments to guarantee obligations covering the financing, in part, of 21 vessels being constructed (three jack-up drilling rigs, three catamaran ferries, three 10,000 horsepower specialized tugboats, two line handling boats, two double hulled asphalt/residual oil barges, two passenger vessels, one hydraulic pipeline dredge, one heavy lift pipe laying barge, one pure car/truck carrier, one ultra deep water semi-submersible multi-service vessel, one roll-on/roll-off warehouse barge, and one power barge for the export trade) for an aggregate amount of \$885,722,767.

In addition, there were closings on 11 commitments to guarantee obligations covering the financing, in part, of one shipyard modernization and the construction of 12 vessels (one multi-purpose supply vessel, one semi-submersible drilling rig, one jack-up mobile offshore drilling unit, two large cruise passenger ships, one heavy lift pipe-laying barge, three catamaran ferries, one pure car/truck carrier, one ultra deep water semi-submersible multi-service vessel, and one roll-on roll-off warehouse barge) for an aggregate amount of \$1,807,976,000.

During FY 2000, Massachusetts Heavy Industries, Inc. and MHI Shipbuilding, LLC (collectively, MHI) were unable to pay the December 1999 debt service due under the note guaranteed by MARAD. In February 2000, MARAD honored its guarantee and paid the note holder \$59.1 million in outstanding principal and interest. Concurrently, the Agency applied \$12.1 million in MHI's Escrow Fund to the outstanding debt and took possession of the shipyard to protect its collateral. MHI filed for protection under Chapter 11 of the Bankruptcy Code in March. MARAD retained possession and was given relief from the automatic stay to sell the property, but not before December 1, 2000. MARAD advertised the property for sale and was awaiting the submission of bids.

Searex, Inc. was unable to pay its debt service when due late

in 1999. The bondholders and MARAD agreed to defer, until November 2001, the principal payments on \$77.3 million in outstanding guaranteed bonds. Searex filed for protection under Chapter 11 of the Bankruptcy Code on January 18, 2000, and remained debtor-in-possession. In July, MARAD assumed the guaranteed debt and paid \$2.6 million of overdue interest, subject to a condition; namely, that MARAD would be granted relief from the stay and permitted to foreclose on its collateral if Searex is unable to reorganize to MARAD's satisfaction.

Litigation

MARAD again faced a variety of litigation, both in Federal Court and in administrative forums, dealing with contracts, the environment, personnel, and specialized maritime laws. MARAD attorneys provide substantial litigation support to the Department of Justice (DOJ) in trying cases and participate actively in Alternative Dispute Resolution (ADR) efforts to reach reasonable settlements.

At the end of the reporting period the Agency currently was defending four significant Comprehensive Environmental Response, Compensation and Liability (CERCLA) cases. They involve shipbuilding sites operated by MARAD's predecessors during the World War II era. All these actions sought substantial damages for remediation. Two shipyard-related CERCLA cases were settled, with Agency attorneys joining DOJ in ADR processes.

At year's end, two personnel cases were pending in Federal court. In one case, the complainant had appealed the District Court's granting of the government's motion for judgment notwithstanding the verdict after a three-week trial. The second case involved a challenge, based on the Rehabilitation Act, to an Agency termination of employment for inability to perform the duties of the position. In addition to the Federal court cases, two cases were pending at the Equal Employment Opportunity Commission (EEOC). During the reporting period, three Federal court cases involving personnel matters, five Merit Systems Protection Board cases, and four EEOC cases were resolved.

Two cases were pending on cross motions for summary judgment before the Department of Transportation Board of Contract Appeals at the end of the year. Both disputes involved the sale of obsolete vessels for scrap. The contractor had appealed MARAD's termination of the contract and denial of the company's claim for additional costs.

Considerable activity occurred in the General Accounting Office (GAO). Following award of 33 contracts for ship management services, 6 disappointed offerors lodged 12 protests at GAO. Prior to hearing, three protests were dismissed and four were withdrawn. After a two-day hearing, one other protest was withdrawn. GAO denied the last four protests. Successful award of the contracts brought to a close this procurement effort that saw over 20 protests in GAO and four actions in Federal

courts.

During the year, MARAD obtained a noteworthy appellate decision in a case brought by a major union concerning the vessel foreign transfer program. The Court held that MARAD's decision under section 9 of the Shipping Act of 1916, as amended (46 App. U.S.C. 808), was committed to Agency discretion and was not subject to legal review under the Administrative Procedure Act.

At the end of the period, approximately 51 personal injury claims of injury to seamen employed on MARAD vessels were pending in Federal courts. This continued a trend of declining caseload in this area. MARAD also remained a named defendant in approximately 1,200 seaman injury cases alleging asbestos related injuries, an increase of 100 cases over Fiscal Year 1999. Full litigation support is provided for cases arising out of agency actions and programs, such as those brought under the Federal Tort Claims Act, the Suits in Admiralty Act, and the Public Vessels Act.

Rulemaking

MARAD's regulations are contained in Chapter II of Title 46 of the Code of Federal Regulations. Actively engaged in rulemaking throughout the reporting year, the Agency published four final rules.

One final rule (Part 388) implemented a new statute permitting administrative waivers of the U.S.-build and other requirements for employment of small passenger vessels in the coastwise trade.

A second final rule (Part 298) improved administration of the Title XI Federal Ship Financing program.

A third final rule (Part 310) modified the procedures for reviewing a determination that a student or graduate of the U. S. Merchant Marine Academy or a State maritime academy who received student incentive payments has breached the service obligation; a denial of a request for deferment of the service obligation; and a denial of a request for waiver of the service obligation contract. The previous regulations called for review by a panel composed of representatives from MARAD, the U. S. Navy, the National Oceanic and Atmospheric Administration, and the U. S. Coast Guard. The revised regulations provide for an appeal to the Maritime Administrator, rather than a panel review.

A fourth final rule (Part 356) implemented new citizenship requirements directed by the American Fisheries Act of 1998 (AFA) (Pub. L. 105-277). This rule increases, from a majority to at least 75 percent, the U.S. citizen ownership and control requirements to obtain a fishery endorsement for a vessel of 100 feet or greater in registered length. It also requires MARAD to scrutinize "rigorously" any transfers of ownership and control over fishing vessels, fish processing vessels, and fish tender vessels; to pay particular attention to leases, charters, financings,

mortgages, and other arrangements to determine if they constitute an impermissible conveyance of control to persons not eligible to own a vessel with a fishery endorsement; and to specify which transactions are permissible, which transactions will require prior approval, and which transactions are impermissible. Vessel owners and mortgagees must comply with the new AFA citizenship requirements by October 1, 2001.

Maritime Assistance

In addition to rulemaking, the new program for administrative waivers of the coastwise laws for small passenger vessels required varied legal services. These included publication of notices for comment, design of waiver formats, and creation of decisional review procedures.

Citizenship determinations for participants in several assistance programs garnered attention during this period. The final regulations implementing the AFA have been mentioned. MARAD also was charged with eliminating exemptions for fishing vessels that cannot meet current citizenship standards, phasing out operation of many of the largest fishing vessels, and establishing new criteria on eligibility to hold a preferred mortgage on vessels of 100 feet or greater with a fishery endorsement to the vessel's documentation. The first request for a letter ruling on the citizenship of a vessel owner was before MARAD as the reporting year closed; many more are expected before the compliance deadline is reached on October 1, 2001.

Several complex ownership and operational structures were analyzed for conformity with U.S. citizenship requirements in regard to acquisitions of Capital Construction Fund holders and of Maritime Security Program operators.

Legislation

At the close of Fiscal Year 2000, MARAD's authorization bill had passed both the Senate and the House, folded into the Department of Defense Authorization Bill for Fiscal Year 2001. The President's signature was anticipated. The bill provides authorization for MARAD's operations and training and the Title XI loan guarantee program. It also extends to the year 2006 the statutory deadline within which the Secretary of Transportation must dispose of obsolete vessels of the National Defense Reserve Fleet, and allows the Secretary to select ship scrapping facilities on a "best value" basis, taking into consideration such factors as timeliness, worker safety, and environmental impact.

The authorization bill also directs the Secretary to conduct a study of maritime research and technology development and to report findings to Congress. The study is to examine the amount of funds appropriated during each of the last five fiscal years for research within various modes of transportation including, highway, rail, aviation, public transit, and maritime.

The Department of Defense Appropriations Act for Fiscal Year 2001 was signed by the President on August 9, 2000 (PL 106-259). The Act includes an appropriation of \$10,000,000 to accelerate the disposal and scrapping of obsolete ships of the Navy Inactive Fleet and Maritime Administration National Defense Reserve Fleet (NDRF). The Secretary of the Navy and the Secretary of Transportation are required to develop criteria for selecting ships for scrapping or disposal based on their potential for causing pollution, creating an environmental hazard, and cost of storage. A memorandum of agreement to apply all the funds to NDRF ships awaited signature at year's end.

Some of the maritime issues considered during the 106th Congress are likely to command attention in the next Congress. These include port and maritime security, U.S. cruise ship development, harbor maintenance, coastwise trade laws, and revitalization of the U.S. merchant marine.

Information Resources Management

MARAD's ongoing information resources management planning program supports short and long range mission goals defined in the Agency's strategic plan. For example, MARAD upgraded its Wide Area Network (WAN) utilizing a Virtual Private Network (VPN), and converted from AT&T to MCI/Worldcom under the FTS-2001 conversion initiative. All Agency employees who use the Internet in performing their jobs have direct desktop access. In addition, 133 personal computers, some servers and printers were installed as part of the equipment replacement program. Employees redesigned the MARAD Internet and Intranet home pages, resulting in better service to the public. MARAD programs, services, and key points of contact are now easier to identify, and customers have been provided additional links to other Government and industry sites. Our web pages are in compliance with the Department of Transportation's (DOT's) privacy notification and use of "cookies" policies.

MARAD continues to concentrate technology resources toward strengthening its infrastructure to enhance internal communication, information, and data sharing opportunities. To support this project, all employees now have Microsoft Outlook installed on their PCs as the Agency's official electronic messaging application. The conversion to Microsoft Outlook is in line with the DOT's efforts to use a secure electronic messaging and a standard office automation suite to facilitate communications.

MARAD's ongoing microcomputer application software training program, which is used to empower employees with the knowledge and skills required to increase the use of computer technologies, will create a more effective and productive organization. The training and use of computer technologies will enable efficient and effective communications and information sharing across DOT and with constituents and customers through interoperability, interconnectivity, and data accuracy and consistency.

In addition, MARAD donated under Executive Order 12999 approximately \$163,000 worth of surplus (but servicable) computer equipment to schools across the country.

Safety Program

Asbestos Control

In FY 2000, MARAD continued its action plan for the control of asbestos exposure and uses in MARAD programs. Agency policy is to prevent or stringently limit personnel exposure to airborne asbestos fibers.

The action plan seeks to eliminate asbestos materials from MARAD programs, repair or replace asbestos materials already installed, modify work procedures, and provide employee training.

MARAD's Asbestos Medical Surveillance Program provides preplacement, fit-for-duty, and preseparation medical examinations in addition to periodic medical examinations for designated MARAD employees potentially exposed to hazardous substances or conditions. Such employees assigned to MARAD Headquarters, the Beaumont, James River, and Suisun Bay National Defense Reserve Fleets (NDRF), and the South Atlantic, Central, and Western Region offices are provided periodic asbestos surveillance medical examinations. During FY 2000, 65 Beaumont Reserve Fleet and Central Region personnel as well as 30 Suisun Bay Reserve Fleet employees received physical examinations.

In conjunction with the Medical Surveillance Program, the Agency also provides NDRF sites and the U.S. Merchant Marine Academy with commercial industrial hygiene services to conduct periodic surveys of the facilities and to target all safety and health hazards.

MARAD gives an "Asbestos Safety Course" to employees assigned to NDRF sites and the U.S. Merchant Marine Academy. Course instructors train workers and supervisors to recognize potentially dangerous asbestos hazards. The course emphasizes correct work practices and outlines protective measures to prevent exposure to and release of asbestos. Employees also learn to protect themselves from poisonous fumes.

In addition to asbestos-related training, fleet employees also received instruction in a variety of other occupational safety and health subjects. For example, during FY 2000 employees at the James River Reserve Fleet were trained in courses including: eye safety, hazard communication, hearing conservation, first aid, back care, and water safety.

Personnel

MARAD's employment totaled 880 at the end of FY 2000. Within the last fiscal year, 41 percent of new hires were females and 21 percent were minority employees. The percentage of handicapped employees hired was seven percent.

Seven Career Opportunities Training Agreement Program (COTA), formerly Upward Mobility, positions were established. In addition, four cross-training positions were advertised under MARAD's Career Enhancement Program, and 34 applications were approved for tuition assistance through the MARAD Tuition Assistance Program.

Two of MARAD's Senior Executive Service members received the Meritorious Presidential Rank Award. Three MARAD employees received the Secretary's Silver Medal and three MARAD employees received the Secretary's Award for Excellence. Sixteen employees as a group received the Secretary's Team Award and nine employees also received the Hammer Award as members of a DOT team. Seventeen employees received the Administrator's Bronze Medal. Two employees received MARAD's EEO Award in recognition of and appreciation for contributions made toward the furtherance of Equal Employment Opportunity.

Installations and Logistics

Real Property

On September 30, 2000, MARAD's real property included NDRF sites at Suisun Bay, CA; Beaumont, TX; and Fort Eustis, VA; the U.S. Merchant Marine Academy at Kings Point, NY; and the Poland Street Wharf at New Orleans, LA.

Logistical warehouses to support the RRF were maintained in Alameda, CA; Chesapeake, VA; and New Orleans, LA.

Facilities for training maritime firefighters were operated at Freehold, NJ, and Monterey, CA, under MARAD agreements with the U.S. Navy. MARAD also operated its Toledo, OH, marine fire-training facility.

Region headquarters offices were maintained in New York, NY; Norfolk, VA; Des Plaines, IL; New Orleans, LA; and San Francisco, CA. Ship management staffs also were maintained at these region headquarters (except Des Plaines) as well as Port Arthur, TX. Port, intermodal, and environmental staff were likewise maintained at the region headquarters as well as in Seattle, WA, and St. Louis, MO.

Audits: FY 2000

In FY 2000, the Department of Transportation's (DOT's) Office of Inspector General (OIG) and the General Accounting Office (GAO) submitted principal final reports on MARAD activities as follows:

Office of the Inspector General

- ◆ Top 12 Management Issues in DOT, Report No. CE-200-026, dated: December 22, 1999.
- ◆ FY 1999 Consolidated Financial Statements, Report No. FE-2000-062, dated: March 8, 2000.

- ◆ Report on the Program for Scrapping Obsolete Vessels, Report No. MA-2000-067, dated: March 10, 2000.
- ◆ Limited Progress in Disposing of Obsolete Vessels in MARAD, Report No. MA-2000-097, dated: June 21, 2000.
- ◆ Ready Reserve Force Ship Managers' Contracts, Report No. MA-2000-96, dated: May 12, 2000.
- ◆ Reauthorization of MARAD, Report No. MA-2000-093, dated: June 21, 2000.
- ◆ Interim Report on Computer Security -- DOT, Report No. FI-2000-108, dated: July 13, 2000.
- ◆ Rulemaking Process in DOT, Report No. MH-2000-109, dated: July 20, 2000.
- ◆ Follow-up Audit of Payments Under the Maritime Security Program, Report No. MH-2000-123, dated: September 26, 2000.

General Accounting Office

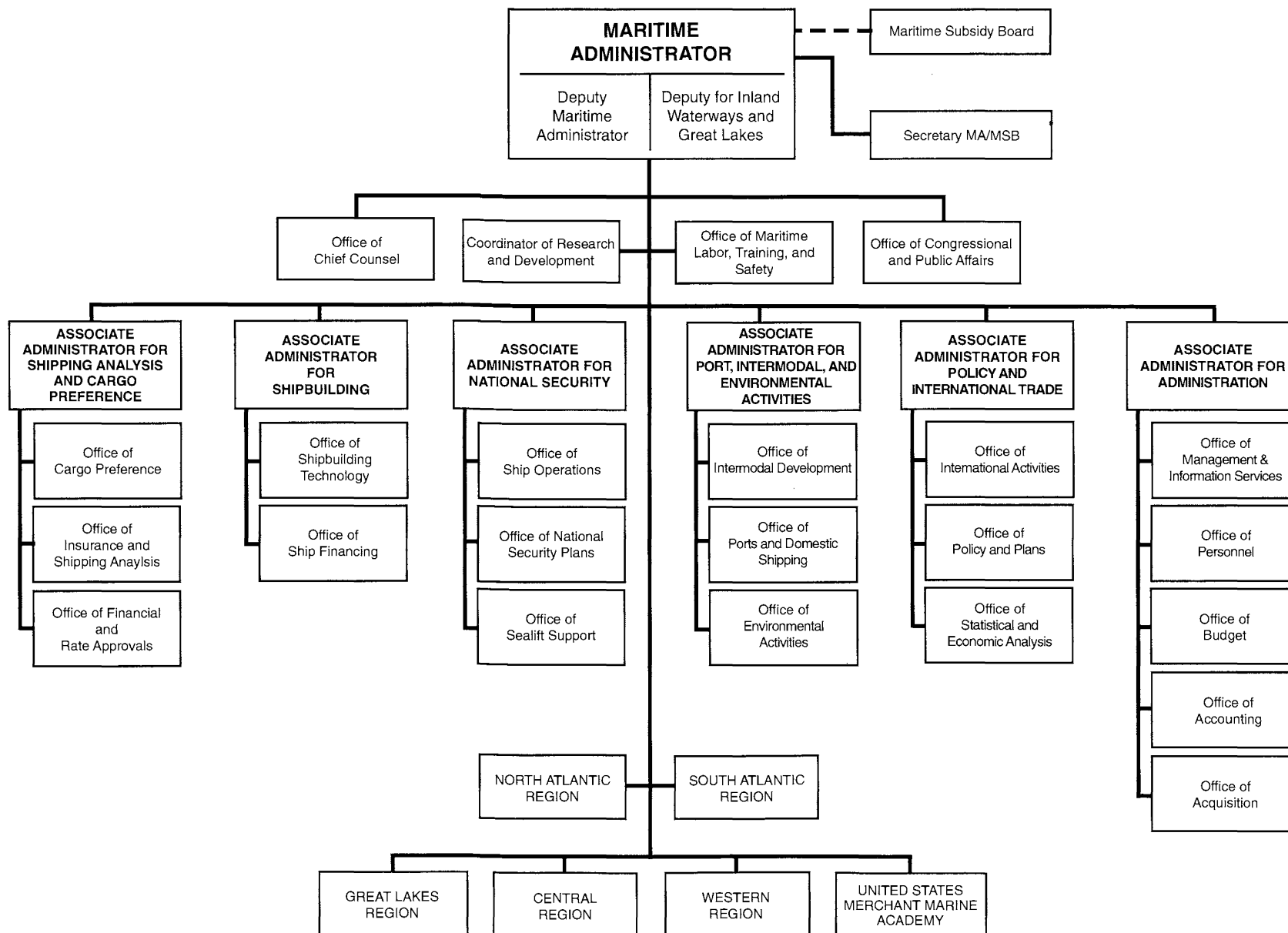
- ◆ Marine Pollution: Progress Made to Reduce Marine Pollution by Cruise Ships, Report No. RCED-00-48, dated: February 28, 2000.
- ◆ Port Infrastructure: Financing of Navigation Projects at Small and Medium-Sized Ports, Report No. RCED-00-58, dated: March 2, 2000.
- ◆ Export Promotion: Federal Agencies' Activities and Resources in FY 1999, Report No. NSIAD-00-118, dated: April 10, 2000.
- ◆ Competitive Contracting: The Understandability of FAIR Act Inventories was Limited, Report No. GGD-00-68, dated: April 14, 2000.
- ◆ Maritime Industry: As Single-Hull Oil Vessels are Eliminated, Few Double-Hull Vessels May Replace Them, Report No. RCED-00-80, dated: April 28, 2000.
- ◆ Information Security: Controls Over Software Changes at Federal Agencies, Report No. AIMD-00-151R, dated: May 4, 2000.

Accounting

MARAD's accounts are maintained on an accrual basis in conformity with generally accepted principles and standards, and related requirements prescribed by the Comptroller General.

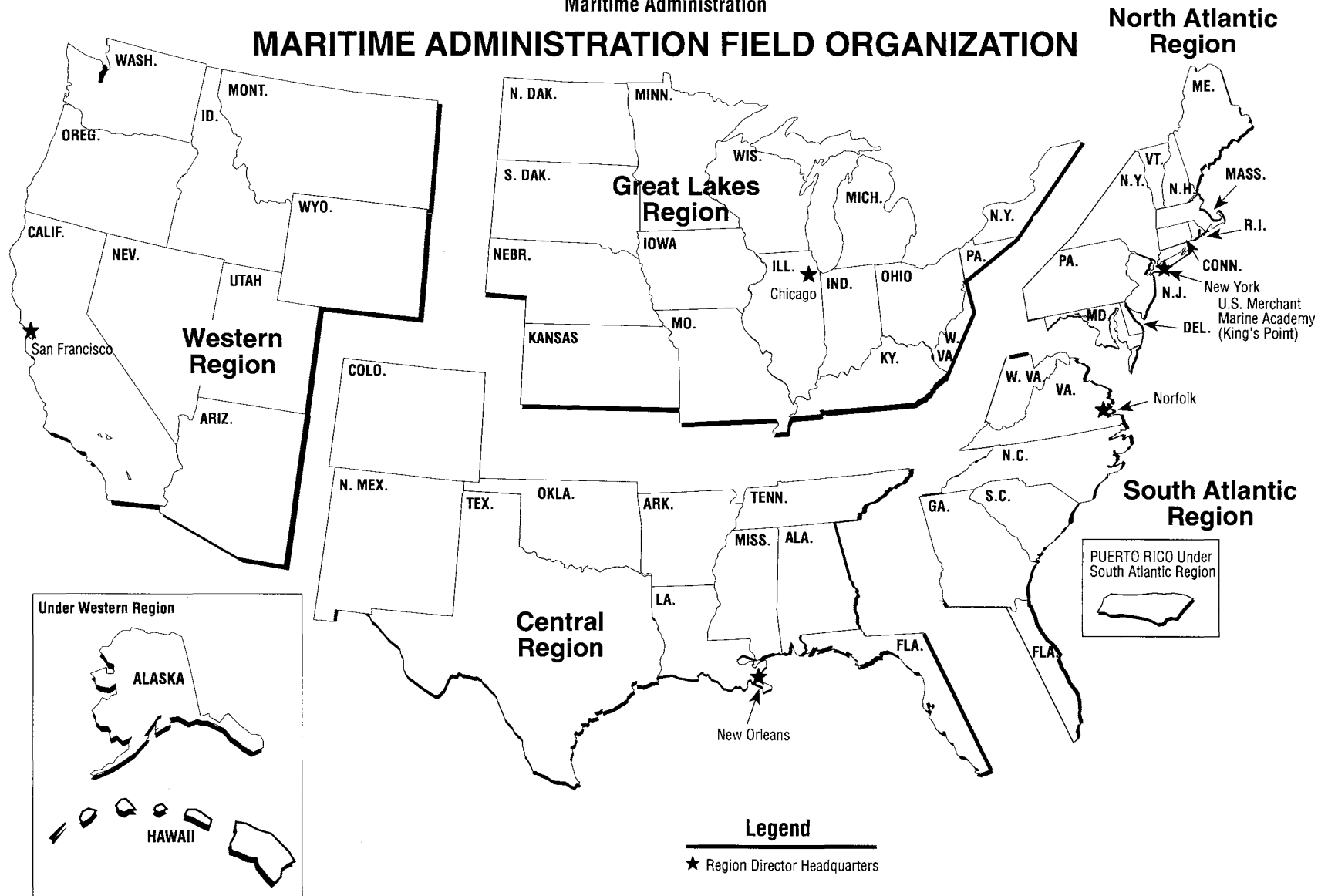
The net cost of MARAD's FY 2000 operations totaled \$642 million. This included \$18 million in ODS and ocean freight differential subsidies; and \$12 million in administrative expenses, including financial assistance to State Maritime Academies. MARAD incurred \$294 million in other operating income net of expenses. MARAD Financial statements appear as Exhibits 1 and 2.

MARITIME ADMINISTRATION



U. S. DEPARTMENT OF TRANSPORTATION
Maritime Administration

MARITIME ADMINISTRATION FIELD ORGANIZATION



FINANCIAL STATEMENTS

U.S. DEPARTMENT OF TRANSPORTATION—Maritime Administration

Exhibit 1. Statement of Financial Condition September 30, 1999, and September 30, 2000

September 30

ASSETS	2000	1999
Selected Current Assets		
Funded Balances with Treasury:		
Budget Funds	\$771,710,000	\$ 627,844,000
Deposit Funds	1 2,000	000
	771,722,000	627,844,000
Federal Security Holdings	155,822,000	118,528,000
Accounts Receivable:		
Government Agencies	138,877,000	213,434,000
The Public	297,000	
	139,174,000	212,362,000
Advances To:		
Government Agencies		
The Public		
Total Selected Current Assets	\$ 1,066,718,000	\$958,734,000
Loans Receivable:		
Repayment in Dollars	87,755,000	25,309,000
Allowances (-)	(50,237,000)	(14,213,000)
	37,518,000	11,096,000
Real Property and Equipment:		
Land	3,962,000	3,228,000
Structures and Facilities	55,913,000	76,776,000
Equipment and Vessels	288,614,000	337,761,000
Leasehold Improvements	0	0
	348,489,000	417,765,000
Total Other Assets	\$386,007,000	\$428,861,000
Total Assets	\$1,452,725,000	\$1,387,595,000

The notes to Financial Statements are an integral part of this statement.

FINANCIAL STATEMENTS

U.S. DEPARTMENT OF TRANSPORTATION—Maritime Administration

Exhibit 1. Statement of Financial Condition

September 30, 1999, and September 30, 2000

September 30

ASSETS	2000	1999
Selected Current Liabilities (Note 2)		
Accounts Payable (Including Funded Accrued Liabilities):		
Government Agencies	\$ 337,388,000	\$ 235,359,000
The Public	90,768,000	91,139,000
	428,156,000	326,498,000
Accrued Liabilities for Loan Guaranteed	213,167,000	77,422,000
Unfunded Liabilities:		
Environmental Liabilities	354,406,000	1,191,000
Other Liabilities	22,964,000	24,835,000
Federal Employee's Benefits Payable	18,907,000	17,977,000
	396,277,000	44,003,000
Total Selected Current Liabilities	1,037,600,000	447,923,000
Deposit Fund Liabilities	0	
Debt issued under borrowing Authority:		
Borrowing from Treasury	0	0
Other Liabilities:		
Vessel Trade-in Allowance and Other Accrued Liabilities	0	0
Future Funding (ODS Contract Authority)		
Total Liabilities	\$ 1,037,600,000	\$ 447,923,000
Government Equity		
Unexpended Budget Authority:		
Unobligated	214,697,000	214,279,000
Undelivered Orders	224,324,000	103,840,000
	439,021,000	318,119,000
Unfinanced Budget Authority (-)		
Unfilled Customer Orders	(305,291,000)	(77,828,000)
Contract Authority	(305,291,000)	(77,828,000)
Invested Capital	281,284,000	699,371,000
Total Government Equity	\$415,125,000	\$939,662,000
Total Liabilities and Government Equity	\$1,452,725,000	\$1,387,585,000

The notes to Financial Statements are an integral part of this statement.

FINANCIAL STATEMENTS

U.S. DEPARTMENT OF TRANSPORTATION—Maritime Administration

Exhibit 2. Statement of Operations

Years Ended September 30

	2000	1999
OPERATIONS OF THE MARITIME ADMINISTRATION		
Net Costs of Operating Activities		
Reserve Fleet Programs:		
Maintenance and Preservation	\$ 3,300,000	\$ 13,718,000
Direct Subsidies and National Defense Costs:		
Operating-Differential	17,930,000	4,210,000
Ocean Freight Differential	22,908,000	16,131,000
Title XI Credit Reform Program	123,575,000	59,529,000
And Financing Fund		
Maritime Security Program	107,755,000	93,637,000
Administrative (includes Financial Assistance to State		
Maritime Schools, School ships, Student Incentive	71,579,000	67,552,000
Other Operating Income Net of Expenses	732,487,000	404,525,000
Net Cost of Maritime Administration	\$1,079,534,000	\$659,302,000
Operations of Revolving Funds (-Income):		
Vessel Operations Revolving Fund	(338,715,500)	(377,462,000)
War Risk Revolving Fund	(1,875,000)	(2,077,000)
Construction Differential Fund	(1,959,000)	(0)
Federal Ship Financing Fund	(28,546,000,)	(32,656,000)
Gifts and Bequests	(2,164,500)	1,437,000)
Special Studies	(37,000)	(0)
	(373,297,00)	(413,632,000)
Net Cost of Combined Operations	\$706,237,000	\$245,670,000

The notes to Financial Statements are an integral part of this statement.

U.S. DEPARTMENT OF TRANSPORTATION - MARITIME ADMINISTRATION

Notes to Financial Statements

September 30, 1999 and September 30, 2000

1. The preceding financial statements include combining assets, liabilities, income, and expenses of the Maritime Administration (MARAD); the Vessel Operations Revolving Fund, the War-Risk Insurance Revolving Fund, and the Federal Ship Financing Fund, Programs of the Federal Credit Reform Act of 1990 and other appropriations. Fiscal Year 1999 & 2000 financial information is based on MARAD's FY 1999 & 2000 audited financial statements required by the Chief Financial Officer Act.
2. Contingent liabilities for Title XI guaranteed loans aggregated \$4.4 billion as of September 30, 2000.
3. There were no conditional liabilities for pre-launching War-Risk Builder's Insurance on September 30, 2000.
4. The Federal Ship Financing Fund incurred no defaults during FY 2000.
5. The Title XI Credit Reform Program incur one default in fiscal year 2000 in the amount of \$59.1 million.
6. Real Property and Equipment are reported net of allowances for FY 2000.

Appendix I: MARITIME SUBSIDY OUTLAYS—1937-2000

<i>Fiscal Year</i>	<i>Total ODS CDS</i>	<i>Reconstruction</i>		<i>Total</i>	
		<i>CDS</i>	<i>CD</i>	<i>ODS</i>	<i>and CDS</i>
1936-1955	\$248,320,942*	\$ 3,286,888	\$ 251,607,830	\$ 341,109,987	\$ 592,717,817
1956-1960	129,806,005	34,881,409	164,687,414	644,115,146	808,802,560
1961	100,145,654	1,215,432	101,361,086	150,142,575	251,503,661
1962	134,552,647	4,160,591	138,713,238	181,918,756	320,631,994
1963	89,235,895	4,181,314	93,417,209	220,676,685	314,093,894
1964	76,608,323	1,665,087	78,273,410	203,036,844	281,310,254
1965	86,096,872	38,138	86,135,010	213,334,409	299,469,419
1966	69,446,510	2,571,566	72,018,076	186,628,357	258,646,433
1967	80,155,452	932,114	81,087,566	175,631,860	256,719,426
1968	95,989,586	96,707	96,086,293	200,129,670	296,215,963
1969	93,952,849	57,329	94,010,178	194,702,569	288,712,747
1970	73,528,904	21,723,343	95,252,247	205,731,711	300,983,958
1971	107,637,353	27,450,968	135,088,321	268,021,097	403,109,418
1972	111,950,403	29,748,076	141,698,479	235,666,830	377,365,310
1973	168,183,937	17,384,604	185,568,541	226,710,926	412,279,467
1974	185,060,501	13,844,951	198,905,452	257,919,080	456,824,532
1975	237,895,092	1,900,571	239,795,663	243,152,340	482,948,003
1976**	233,826,424	9,886,024	243,712,448	386,433,994	630,146,442
1977	203,479,571	15,052,072	218,531,643	343,875,521	562,407,164
1978	148,690,842	7,318,705	156,009,547	303,193,575	459,203,122
1979	198,518,437	2,258,492	200,776,929	300,521,683	501,298,612
1980	262,727,122	23,527,444	265,079,866	341,368,236	606,448,102
1981	196,446,214	11,666,978	208,113,192	334,853,670	542,966,862
1982	140,774,519	43,710,698	184,485,217	400,689,713	585,174,930
1983	76,991,138	7,519,881	84,511,019	368,194,331	452,705,350
1984	13,694,523	-0-	13,694,523	384,259,674	397,954,197
1985	4,692,013	-0-	4,692,013	351,730,642	356,422,655
1986	(416,673)	-0-	(416,673)	287,760,640	287,343,867
1987	420,700	-0-	420,700	227,426,103	227,846,803
1988	1,236,379	-0-	1,236,679	230,188,400	231,425,079
1989	-0-	-0-	-0-	212,294,812	212,294,812
1990	-0-	-0-	-0-	230,971,797	230,971,797
1991	-0-	-0-	-0-	217,574,038	217,574,038
1992	-0-	-0-	-0-	215,650,854	215,650,854
1993	-0-	-0-	-0-	215,506,822	215,506,822
1994	-0-	-0-	-0-	212,972,929	212,972,929
1995	-0-	-0-	-0-	199,966,581	199,966,381
1996	-0-	-0-	-0-	164,687,965	164,687,965
1997	-0--0-	-0-	121,556,425	121,556,425	
1998	-0-	-0-	-0-	36,671,731	36,671,731
1999	-0-	-0-	-0-	16,948,560	16,948,560
2000	-0-	-0-	-0-	9,998,665	9,998,665
Total	\$3,569,648,434	\$264,904,682	\$3,834,553,116	\$10,163,926,203	\$13,998,479,319

* Includes \$131.5 million CDS adjustments covering the World War II period, \$105.8 million equivalent to CDS allowances which were made in connection with the Mariner Ship Construction Program, and \$10.8 million for CDS in fiscal years 1954 to 1955.

** Includes totals for FY 1976 and the Transition Quarter ending September 30, 1976.

Appendix II: Combined Financial Statement of Companies with Operating-Differential Subsidies

(There were three subsidized companies in 1999 and four in 1998)

BALANCE SHEET for Years Ending:	1999	(in thousands) 1998
Cash	\$452	\$11,090
Marketable Securities .....	.0	551
Notes Receivable .....	.0	27
Accounts Receivable .....	.546	(7,316)
Allowance for Doubtful Accounts .....	.0	0
Other Current Assets .....	.334	10,184
Total Current Assets	\$1,332	\$14,536
Restricted Funds	\$.0	\$183
Investments .....	.0	0
Property & Equipment (net of depreciation) .....	.0	0
Deferred Charges .....	.0	0
Other Assets .....	.2	10,442
Goodwill, Other Intangibles .....	.0	0
Total Non-Current Assets	\$.2	\$10,625
TOTAL ASSETS	\$1,334	\$25,161
Notes Payable	\$.0	\$0
Accounts Payable .....	.74	3,756
Accrued Liabilities	1,258	1,530
Other Current Liabilities .....	.0	0
Advance Payments/Deposits .....	.0	0
Total Current Liabilities	\$1,332	\$5,286
Long Term Debt	\$.0	\$0
Other Liabilities .....	.0	0
Deferred Credits .....	.0	1,063
Total Liabilities	\$1,332	\$6,349
Invested Capital	\$.2	\$27,191
Treasury Stock .....	.0	0
Retained Earnings .....	.0	(8,379)
Total Owners' Equity	\$.2	\$18,812
TOTAL LIABILITIES & OWNER'S EQUITY	\$1,334	\$25,161

INCOME STATEMENT for Years Ending:	1999	(in thousands) 1998
Shipping Revenue	\$12,410	\$32,715
Operating-Differential Subsidy .....	.6,415	18,691
Other Ship Operating Revenue .....	.0	720
Total Revenue from Shipping Operations	\$18,825	\$52,126
Shipping Expense	\$16,543	\$25,587
Shipping Port Call Expense .....	.2,277	2,234
Cargo Handling Expense .....	.0	0
Inactive Vessel Expense .....	.0	0
Other Ship Operating Expenses .....	.0	0
Total Expense of Shipping Operations	\$18,820	\$27,821
Gross Income from Shipping Operations	\$.5	\$24,305
General & Administrative Expense .....	.0	24,569
Depreciation & Amortization Expense .....	.0	0
Interest Expense .....	.0	0
Other Revenue (Expense) .....	.0	1,005
Net Income Before Income Taxes	\$.0	\$741
Provision for Income Taxes .....	.0	0
Net Income After Income Taxes	\$.0	\$741
Effect of Change in Accounting Policy .....	.0	0
Income (Loss) from Extraordinary Items .....	.0	2,341
NET INCOME	\$.0	\$3,082

APPENDIX III: Reports Released in Fiscal Year 2000

The following reports were released during FY 2000:

- ◆ Compilation of Maritime Laws
- ◆ Glossary of Shipping Terms
- ◆ MARAD '99 (The annual report of the Maritime Administration)
- ◆ MARAD Customer Service
- ◆ Port Development Expenditure Report
- ◆ Port Risk Management and Insurance Guidebook
- ◆ Reserve Fleet Inventory
- ◆ U.S. Exports and Imports Transshipped via Canada and Mexico 1999
- ◆ U.S. Foreign Waterborne Transportation Statistics

Reports may be viewed or downloaded from the agency's web site at **<http://www.marad.dot.gov>**; follow link to publications and statistics.

NOTE: acrobat reader software, which is needed to view publications, may be downloaded free-of-charge from its site.

MARAD REPORT ACRONYMS

AAPA	American Association of Port Authorities
ABET	Accreditation Board of Engineering and Technology
ABS	American Bureau of Shipping
AFA	American Fisheries Act
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
APF	Afloat Prepositioning Force
AID	Agency for International Development
ANS	Alaskan North Slope
APEC	Asia-Pacific Economic Cooperation
APL	American President Lines, Ltd.
APS	Army Prepositioning Stock
BRAC	Base Realignment and Closure
CASRM	Center for Advanced Ship Repair and Maintenance
CBRD	Chemical, Biological and Radiological Defense
CCC	Commodity Credit Corp.
CCDoTT	Center for the Commercial Deployment of Transportation Technologies
CCF	Capital Construction Fund
CFR	Code of Federal Regulations
CHCP	Cargo Handling Cooperative Program
CINCFOR	Commander-in-Chief U.S. Forces Command
CMA	Compagnie d'Affretement
COE	U.S. Army Corps of Engineers
COI	Certificate of Inspection
CORE	National Contingency Response
COTA	Career Opportunities Training Agreement Program
CPY	Cargo Preference Year
CRF	Construction Reserve Fund
CWA	Cooperative Working Agreements
CY	Calendar Year
DGPS	Differential Global Positioning System
DLA	Defense Logistics Agency
DOD	Department of Defense
DOE	Department of Energy
DOT	Department of Transportation
DTS	Defense Transportation System
Dwt	Deadweight Tons
ECC	Environmental Coordinating Committee
EMSIS	Emergency Shipping Information System
EMT	Emergency Medical Technician
EPA	Environmental Protection Agency
Eximbank	Export-Import Bank
FAA	Foreign Assistance Act
FEU	40-foot Equivalent Units

MARAD REPORT ACRONYMS (Cont'd)

FHWA	Federal Highway Administration
FMC	Federal Maritime Commission
FMF	Foreign Military Financing
FOIA	Freedom of Information Act
FTA	Federal Transit Administration
Fund	Federal Ship Financing Fund Liquidating Account
FWS	Fish and Wildlife Service
FY	Fiscal Year
GAA	General Agency Agreement
GAI	Guaranteed Annual Income Program
GATT	General Agreement on Tariffs and Trade
GIS	Geographic Information Systems
GMATS	Global Maritime Transportation School
GPS	Global Positioning System
GT	Gross Tons
HF	High Frequency
JETRO	Japan External Organization
JLOTS	Joint Logistics Over the Shore
IFB	Invitation For Bid
IMISS	International Maritime Information Safety System
IMO	International Maritime Organization
INCA	International Narcotics Control Act
IRM	Information Resource Management
ISO	International Organization of Standardization
ISTEA	Intermodal Surface Transportation Efficiency Act
IT	Information Technology
ITC	International Tonnage Convention
JPAG	Joint Planning Advisory Group
LAN	Local Area Network
LASH	Lighter Aboard Ship
LCA	Lake Carriers Association
LDT	Light Displacement Ton
LOTS	Logistics Over The Shore
LTM	Long Ton/Miles
LVM	Louisiana Vessel Management, Inc.
MAP	Military Assistance Program
MARAD	Maritime Administration
MARDEZ	Maritime Defense Zones
MCDS	Modular Cargo Delivery System
MEPC	Marine Environment Protection Committee
MFN	Most Favored Nation
MOC	Memorandum of Consultation
MODU	Mobile Offshore Drilling Unit
MOMAF	Ministry of Maritime Affairs and Fisheries

MARAD REPORT ACRONYMS (Cont'd)

MOT	Ministry of Transport
MOU	Memorandum of Understanding
MITAGS	Maritime Institute of Technology and Graduate Studies
MRS	Mobility Requirements Study
MSA	Maritime Security Act
MSB	Maritime Subsidy Board
MSC	Military Sealift Command
MSP	Maritime Security Program
MTC	Maritime Transport Committee
MTMC	Military Transportation Management Command
MTS	Marine Transportation System
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NCSORG	Naval Control of Shipping Organization
NDRF	National Defense Reserve Fleet
NEC	National Economic Council
NDT	National Dredging Team
NHS	National Highway System
NLRB	National Labor Relations Board
NMREC	National Maritime and Education Resource Center
NMS	National Maritime System
NOAA	National Oceanic and Atmospheric Administration
NRC	National Research Council
NSI	National Shipbuilding Initiative
NSRP	National Shipbuilding Research Program
NSTP	National Sealift Training Program
NYSA	New York Shipping Association
NY/NJ	New York/New Jersey
OAS	Organization of American States
ODS	Operating-Differential Subsidy
ODSA	Operating-Differential Subsidy Agreement
OECD	Organization for Economic Cooperation and Development
OFD	Ocean Freight Differential
OPA	Oil Pollution Act of 1990
OPDS	Offshore Petroleum Discharge System
OSHA	Occupational Safety and Health Administration
OSRA	Ocean Shipping Reform Act
OSVs	Offshore Service Vessels
PA	Purchase Authorization
PCB	Polychlorinated biphenyl
P.L.	Public Law
PBOS	Planning Board for Ocean Shipping
PCD	Pacific Coast District
PLS	Position Location Systems

MARAD REPORT ACRONYMS (Cont'd)

PMA	Pacific Maritime Association
PPS	Program Performance Survey
PRC	Peoples Republic of China
QMED	Qualified Members of Engine Department
R&D	Research and Development
RAP	Remedial Action Projects
RDT	Regional Dredging Teams
RFP	Request For Proposal
RO/RO	Roll-On/Roll-Off
ROS	Reduced Operating Status
RRF	Ready Reserve Force
RY	Rate Year
SA	Shipyard Agreement
SBS	Shore Based Spares
SHC	U. S. Shipping Coordinating Committee
SI	System International
SMC	Ship Manager Contract
SOC	Ship Operations Cooperative Program
SPR	Strategic Petroleum Reserve
SRA	Ship Repair Agreement
STARS	Ship Tracking and Retrieval System
T-AVB	Aviation Logistics Support Ship
SUP	Sailor's Union of the Pacific
T-ACS	Auxiliary Crane Ship
TAG	Technical Advisory Group
TBT	Tributyltin
TCP	Technical Compliance Plan
TEU	20-foot Equivalent Units
TRANSCOM	U.S. Transportation Command
TRB	Transportation Research Board
U.N.	United Nations
UNREP	Underway Replenishment
USMMI	U.S. Ship Management, Inc.
USC	United States Code
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
UTC	University Transportation Center
VISA	Voluntary Intermodal Sealift Agreement
VNTSC	Volpe National Transportation Systems Center

NATIONAL MARITIME DAY, 2000
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA
A PROCLAMATION

Americans have always looked to the sea as a source of prosperity and security. Bounded by two oceans and the Gulf of Mexico, with the Great Lakes, the Saint Lawrence Seaway, scores of harbors, ports, and inlets, and thousands of miles of inland river shorelines, our Nation has been blessed with an unparalleled means of moving passengers and freight, protecting our freedom, and linking our citizens with the world.

Today, 95 percent of our imports and exports are moved by water — more than one billion metric tons of cargo — and our waterways currently handle 140 million passengers a year. Our domestic fleet is one of our most productive and cost-effective modes of transportation, moving 24 percent of the Nation's cargo at less than 2 percent of America's total freight cost. The men and women of the U.S. Merchant Marine and the thousands of other workers in our Nation's maritime industry have made immeasurable contributions to our economic strength, standard of living, and leadership in the global marketplace.

The U.S. Merchant Marine plays an equally important role in maintaining our national security. In times of conflict or crisis, the Armed Forces rely upon the Merchant Marine's sealift capability to transport critically needed equipment and supplies. Time and again, American mariners have demonstrated their willingness and ability to meet often daunting challenges. From World War II to Korea to Vietnam, from Desert Storm to the Balkans and in numerous incidents in between, the U.S. Merchant Marine has responded with courage, patriotism, and a steadfast devotion to duty.

The 21st century will hold new challenges for our maritime industry, including an anticipated doubling of cargo and passenger traffic in the next two decades. If we are to meet those challenges, we must maintain a robust U.S.-flag fleet, crewed by American mariners. Last September, the Secretary of Transportation presented to the Congress a blueprint for modernizing our Marine Transportation System — the waterways, ports, railways, and roads that move people and goods to, from, and on the water. We must build more and better ships, modernize our shipyards, create deeper ports for today's ever larger containerships and ocean liners, and maintain a skilled maritime workforce. We must also ensure that local, State, and Federal agencies, the U.S. military, the maritime industry, shippers, labor unions, environmental groups, and other concerned organizations work in partnership to carry out this blueprint.

As we celebrate National Maritime Day this year, we also mark the 50th anniversary of the U.S. Maritime Administration. Throughout the past five decades, the dedicated men and women of this agency have worked to improve the competitiveness of our maritime industry in world markets and to strengthen our ability to respond swiftly and effectively in times of crisis. On behalf of a grateful Nation, I salute these outstanding public servants for their commitment to the U.S. Merchant Marine and to the shipbuilding, repair services, ports, and intermodal water and land transportation systems they need to function efficiently.

In recognition of the importance of the U.S. Merchant Marine to our Nation's prosperity and security, the Congress, by a joint resolution approved May 20, 1933, has designated May 22 of each year as "National Maritime Day" and has authorized and requested the President to issue annually a proclamation calling for its appropriate observance.

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, do hereby proclaim May 22, 2000, as National Maritime Day. I urge all Americans to observe this day with appropriate programs, ceremonies, and activities and by displaying the flag of the United States in their homes and in their communities. I also request that all merchant ships sailing under the American flag dress ship on that day.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-second day of May, in the year of our Lord two thousand, and of the Independence of the United States of America the two hundred and twenty-fourth.

WILLIAM J. CLINTON